RETIREMENT DIVISION

Connecticut

General Assembly

LEGISLATIVE

PROGRAM REVIEW

AND

INVESTIGATIONS

COMMITTEE

JANUARY 1991

CONNECTICUT GENERAL ASSEMBLY

LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

The Legislative Program Review and Investigations Committee is a joint, bipartisan, statutory committee of the Connecticut General Assembly. It was established in 1972 to evaluate the efficiency, effectiveness, and statutory compliance of selected state agencies and programs, recommending remedies where needed. In 1975, the General Assembly expanded the committee's function to include investigations, and during the 1977 session added responsibility for "sunset" performance reviews. The committee was given authority to raise and report bills in 1985.

The program review committee is composed of 12 members. The president pro tempore of the senate, the senate minority leader, the speaker of the house, and the house minority leader each appoint three of those members.

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RETIREMENT DIVISION

LEGISLATIVE PROGRAM REVIEW AND
INVESTIGATIONS COMMITTEE
JANUARY 1991

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EXECUTIVE SUMMARY

The Legislative Program Review and Investigations Committee voted to study the Retirement Division located within the Office of the Comptroller in February 1990, focusing on how state employee retirement system members were being served. State employee retirement matters are handled primarily by the Retirement Division under the authority of the State Employees Retirement Commission. The way in which those entities carry out their functions is affected by others, including the Computer Services Division within the Office of the Comptroller and the various employing state agencies.

The two major problems regarding membership service delivery identified by the program review committee are: 1) the absence of a useable comprehensive retirement data base; and 2) a serious delay in auditing retirement applications. Recommendations made with respect to those problems are intended to clarify responsibilities, establish priorities, and alleviate the impact of the audit delay on retirees.

Additionally, the committee found some areas in which changes could be made to provide greater understanding of the retirement process, for both agencies and pension system members. The following are the committee recommendations.

RECOMMENDATIONS

1) The statutes shall be amended to provide that the Office of Comptroller shall be specifically responsible for the development, implementation and maintenance of a comprehensive retirement data base system and that the State Employees Retirement Commission be consulted and informed about the data base system on a regular basis.

2) The Office of the Comptroller shall consider the retirement data base and the current retirement backlog a high priority, and ensure that all funds specifically earmarked for Retirement Division-related activities are used to further the division's efforts.

3) By July 1, 1991, the comptroller's office shall develop and begin implementation of a plan to ensure the accuracy and completeness of the information contained in the historical service credit data base. The plan shall include a schedule whereby service credit records of retirement system members shall be made whole beginning with persons closest to retirement age, as reasonably determined by the comptroller's office, and working back in reverse chronological order. The current employing agency shall be responsible for supplying all information the comptroller's

office deems necessary for every person identified by the comptroller's office.

4) State statutes shall be amended to provide that the Office of the State Comptroller shall have sole responsibility for developing, implementing, and maintaining a statewide time and attendance system integrated with the central payroll system. The time and attendance system shall be relevant for the proper development of an accurate and useful retirement data base;

The new time and attendance system shall be fully operational by July 1, 1992;

Prior to the implementation of a time and attendance system, an advisory group shall be formed to provide input to the comptroller's office on the system's design. The advisory group shall include two representatives from the comptroller's office, Department of Administrative Services, and state agencies not using the BOSS system, but having their own time and attendance systems; and

The advisory group shall submit a report detailing its findings to the legislature's Joint Committee on Appropriations by March 1, 1991.

5) The statutes shall be amended to provide for interest to be paid at the rate of five percent on the amount of any underpayment that begins accruing six months after a person's retirement date. The interest will be paid from the state employee's retirement fund.

6) The Retirement Division shall establish a detailed backlog reduction plan to clear up the backlog by January 1994. The Office of the Comptroller shall ensure that all funds specifically earmarked to reduce the audit backlog be used for that purpose, and shall provide as many resources as possible to carry out the plan. The division shall submit the plan to the legislative committee of cognizance by March 1, 1991.

7) Agencies should automatically send to the Retirement Division final information on recently retired employees as soon as information is available, on forms developed by the division, including notification regarding retroactive collective bargaining adjustments.

8) A periodic training schedule shall be set up for agency personnel whose duties involve retirement-related matters.

9) A loose-leaf manual providing relevant retirement information and instructions shall be prepared by the Retirement Division for use by agencies.

10) The State Employees Retirement Commission shall ensure that it complies with the state freedom of information law.

11) The retirement commission shall inform all members who come before it that commission meetings are open, including deliberations on members' cases, and that the member may attend if he or she so chooses.

12) An indexed compilation of decisions shall be kept by the State Employees Retirement Commission.

13) The retirement commission shall establish in regulation the common standards it uses to decide cases.

INTRODUCTION

The Legislative Program Review and Investigations Committee voted to study the Retirement Division located within the Office of the Comptroller in February 1990, focusing on how State Employee Retirement System members were being served. State employee retirement matters are handled primarily by the Retirement Division under the authority of the State Employees Retirement Commission (SERC), a distinct state agency. The manner in which those entities carry out their functions is affected by others, including the Computer Services Division within the Office of the Comptroller and the various employing state agencies.

This report is divided into four chapters. Chapter I presents descriptive information about the main components of the retirement operations structure: the Retirement Division and the State Employees Retirement Commission. Chapter II contains background information about the retirement data base system, while Chapter III describes the retirement application process and the current audit backlog. Finally, Chapter IV sets out the committee's findings and recommendations related to the above areas.

In conducting the study, a variety of sources and research methods were used. Pertinent statutes, regulations, and collective bargaining materials were reviewed. Interviews were conducted of individuals responsible for retirement operations at the Retirement Division, as well as of other comptroller's office employees, including those in the Computer Services Division. Data from actual retirement application files were collected and analyzed, and state agencies were surveyed on their retirement activities. In addition, nine other states were surveyed about their retirement operations.

Additionally, program review staff attended several retirement commission meetings and reviewed commission material. Representatives of the Teachers' Retirement Board were interviewed, as well as employees responsible for administering a large local private employee retirement system. Other interested groups were interviewed and two public hearings were held on the study in July 1990.

CHAPTER I
RETIREMENT OPERATIONS STRUCTURE

State employee retirement benefits are dispersed through an organizational structure consisting of the Retirement Division in the comptroller's office and the State Employees Retirement Commission. This chapter describes those entities. First, some background on the actual state employee benefit structure and other general retirement information is provided below.

System background. The rules of and benefits available under the State Employees Retirement System (SERS) are set out in statute, reflecting both legislatively initiated change and, since the 1970s, changes due to collective bargaining. The structure, rules, and benefits of the system have become increasingly complex over the years. The 1989 pension arbitration award made many significant changes to the system as well. Appendix A contains a summary of the major elements of SERS and is included to describe some major components and provide at least a glimpse at the implementation task facing the Retirement Division and commission.

The State Employees Retirement System was established by law in 1939. From 1939 until 1973, there was one state employee retirement plan. Membership was optional, but once in, a member could not opt out of the plan. In 1973, membership was made mandatory for all new hires after October 1, 1973. Certain types of employees, like state teachers, could choose among different systems. Employees who had not previously chosen to participate in the retirement system were given a last chance to enroll in the plan.

In 1983, in response to a 1982 pension agreement, the legislature created a whole new "tier". The "old" system became Tier I and the new system was named Tier II. Tier II was developed in part to create a less expensive and more easily administered pension plan for the state to provide for its employees. Generally, Tier II applies to employees hired after July 1, 1984.

Actual retirement benefits available to state employees depend upon what tier they are in and what plan within the tier, as well as the length of their state service and their compensation levels. Generally, whether a state employee is a member of one or another tier depends upon when the employee entered state service. One major difference between the tiers is that Tier I members contribute to the system, while Tier II members do not, except for members in positions designated as hazardous duty.

Although this study focused on the state employees retirement system, the commission and thus the division are also responsible for administering other retirement systems. These systems are set out in Table I-1. It is important to remember that the other retirement systems under the commission's jurisdiction each have their own structures, rules, and benefits.

Table I-1. Retirement Systems Under Jurisdiction of the State Employees Retirement Commission and Membership Data for 1989-90

SYSTEMS	ACTIVE MEMBERS	RETIRED MEMBERS
State Employees Retirement System	56,202	21,137
Municipal Employee Retirement System	7,693	2,574
Probate Judges and Employees	291	136
State's Attorneys	8	15
General Assembly (closed)	0	14
Alternative Retirement Program	3,641	*
Judges and Compensation Commissioners	165	145
Public Defenders	1	4

* Because of the nature of the system (essentially a deferred compensation plan), the designation of retired members is not applicable.

SECTION I. RETIREMENT DIVISION

Powers and Duties

The Retirement Division is located within the Office of the State Comptroller and is primarily responsible for assisting the State Employees Retirement Commission in carrying out its charge to administer the State Employees Retirement System, along with seven other public employee retirement systems. The powers and duties of the Retirement Division are not established by statute, but rather by commission regulation.

According to commission regulation, "[s]ubject to any directives of the commission, all applications to purchase credit, obtain any benefit authorized by law, or refund contributions, found to meet statutory requirements or regulations, are processed by the Retirement Division as routine business." Thus, in the great majority of cases, claims made by members for benefits under the state employee retirement law are resolved by the division in the name of the commission.

For administrative purposes only (APO), the commission is within the Retirement Division. As the commission has no specific authority to hire personnel, the APO status means the division provides staff to carry out the commission's work. Thus the division provides the commission with staff resources to maintain records, process transactions, and assist in and implement commission decisions in connection with the retirement systems.

The division is also responsible for providing each member of SERS with an annual benefit statement showing vested or potentially vested benefits, the name of any beneficiary, and the total amount of contributions paid by the member, and interest accrued, if any. Lastly, the division prepares and distributes booklets describing the different tiers within the retirement system and is also responsible for providing training for agency personnel as required by both the 1982 pension agreement and the 1989 pension award.

Even though the division is located within the comptroller's office, there is no general duty of the comptroller, either constitutionally or by statute, to be involved in the administration of any retirement system. However, the comptroller's enabling statute does cite retirement matters twice.

First, the comptroller is "authorized to develop, install, and operate a comprehensive, fully documented electronic system for effective personnel data, for payment of compensation to all state employees and officers, and for maintenance of a chronological and permanent record of compensation paid to each employee and officer for the State Employees Retirement System and other purposes. The comptroller is authorized to establish an accounting procedure to implement this section." This provision has been in place since 1967.

Second, since 1963 the comptroller has been required to "provide pre-retirement counseling to employees of the state and to the members of the Municipal Employees Retirement Fund", and to "appoint a retirement counselor" for that purpose. The division carries out this counseling function.

Organizational Structure

The current organizational structure of the Retirement Division is depicted in Figure I-1. This structure has been in

Figure I-1. Retirement Division Organization

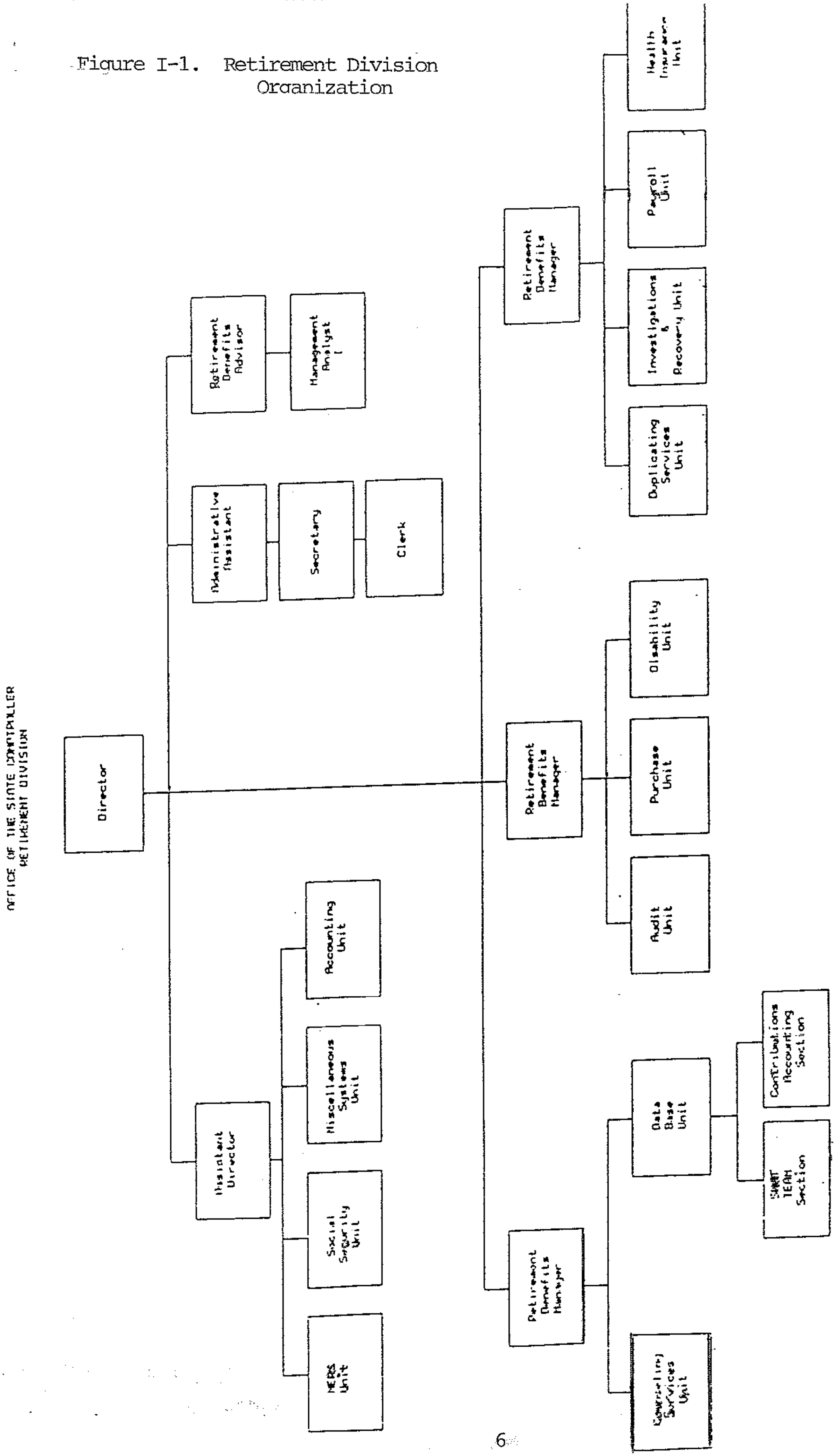
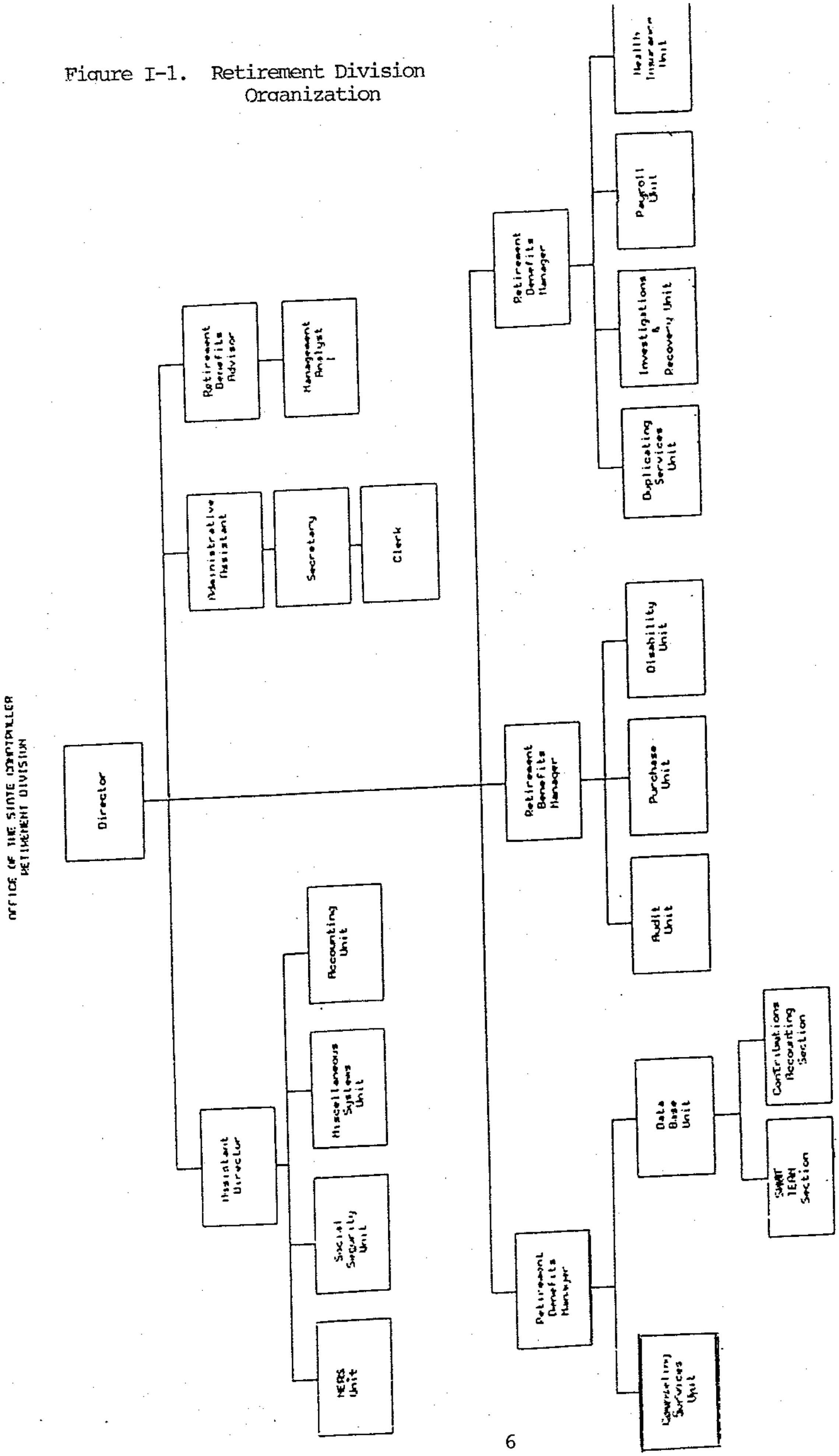


Figure I-1. Retirement Division Organization



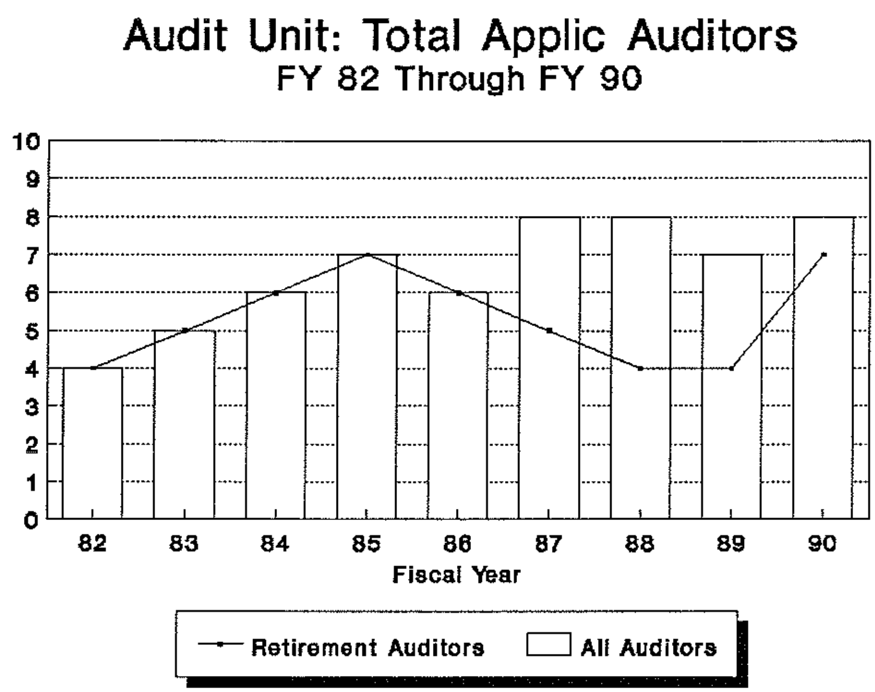
place since late 1989 and its components can be separated into three distinct functional categories: 1) SERS-related; 2) miscellaneous retirement systems other than SERS; and 3) administrative support.

Most of the division's resources are devoted to the administration of the State Employees Retirement System. At present, there are nine units overseen by three benefits managers responsible for carrying out the retirement commission's duties with regard to the system. These units are briefly described below.

Audit unit. The Audit Unit is responsible for processing SERS retirement applications, for which the unit has developed a two-step system. Preliminary application reviews are conducted to verify retirement eligibility and estimate benefit amounts, and estimated benefit checks are sent to retirees as soon as possible. Then, final audits are performed to calculate finalized benefits sometime later.

As of November 1990, 14 employees staffed the unit including 4 auditors -- two conducting preliminary reviews; two, final audits -- and a fiscal administrative officer performing final audits.

Figure I-2



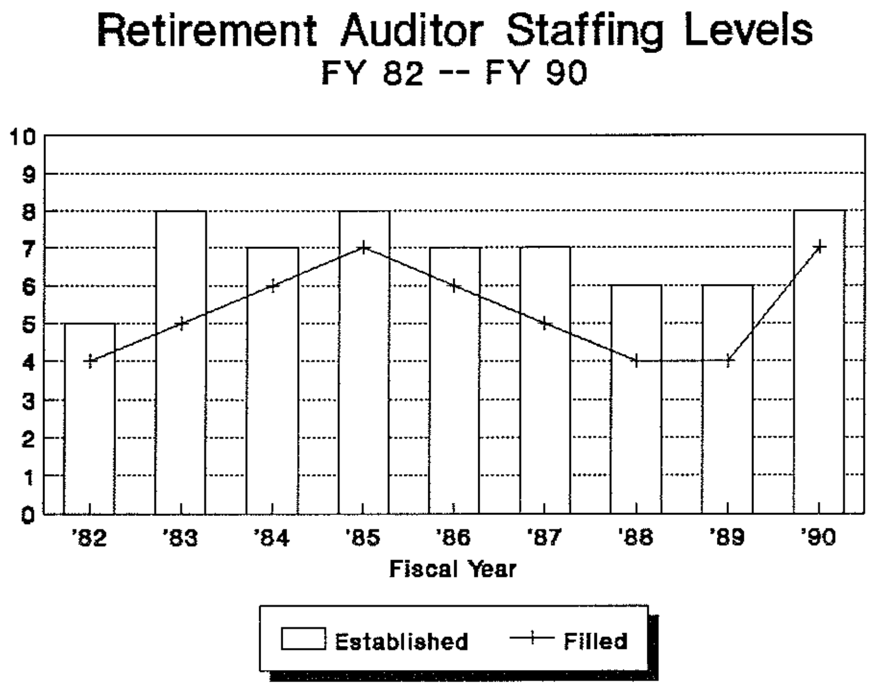
Source: LPR&IC Analysis

Three additional auditors are being trained for final auditing, while three auditor positions remain vacant because the division has not yet received authorization to fill them. The program review committee was told that turnover is especially high in the auditor position.

Since FY 87, staff personnel not having the position title of "retirement auditor" have been performing application audits in addition to retirement auditors. Figure I-2 on the previous page compares the number of retirement auditors with the total number of employees performing application audits. As the figure shows, although the number of filled retirement auditor positions decreased by three between FY 85 and FY 89, the total number of employees actually auditing retirement applications increased to a high of eight in FY 87. Also, the number of retirement auditors increased sharply in FY 90.

Figure I-3 compares the number of established (funded) positions with actual filled positions for retirement auditor positions for fiscal years 1982-90. The figure shows that the

Figure I-3

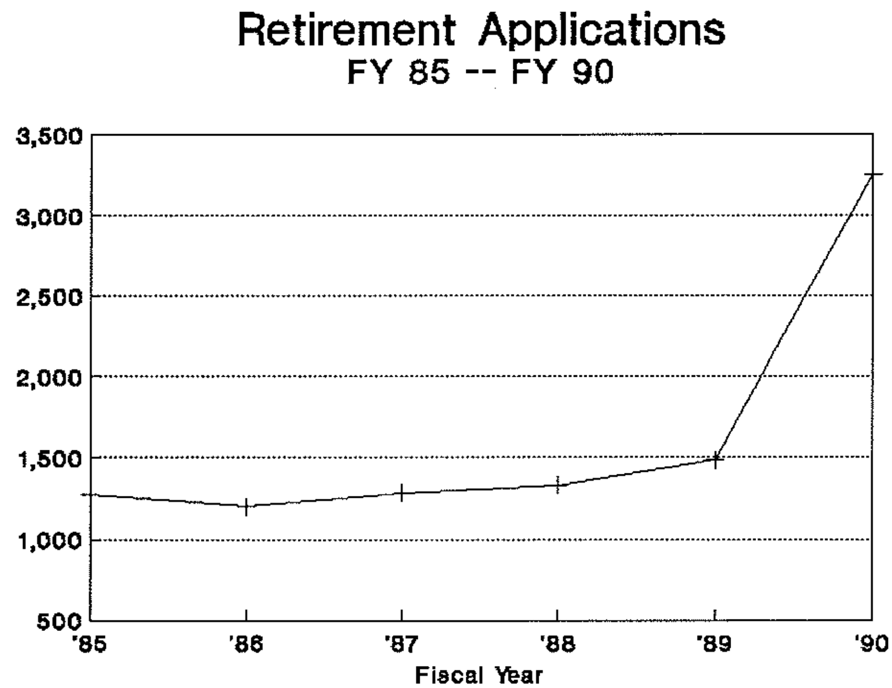


Source: LPR&IC Analysis

number of filled retirement auditor positions increased from four to seven between FY 82 to FY 85. However, since FY 85 the number steadily decreased to four, until FY 90, when the number of filled retirement auditor positions rose to seven again.

Figure I-4 provides a breakdown of the number of applications received for fiscal years 1985-90 and shows how many the unit processes on an annual basis. The figure does not include disability retirement applications.

Figure I-4



Source: LPR&IC Analysis

Despite a slight dip in the number of retirement applications received in FY 86 from the previous year, applications have been steadily increasing. Between FY 86 through FY 89, the number of retirement applications received has gradually risen from 1,200 to 1,486, or 24 percent. The unit received an average of 1,316 retirement applications per year prior to the sudden increase in FY 90.

The dramatic rise in applications during FY 90 is due to the early retirement incentive program, described in Appendix C, in which approximately 3,000 persons retired during a three-month period. Since the conclusion of the program, however, the division has been receiving around 40 retirement applications per month.

Counseling unit. The Counseling Unit has statewide responsibility for counseling members who want retirement information. The unit is also responsible for answering telephone inquiries and written correspondence from current and retired system members.

Individual counseling sessions, usually one hour in length, are held to provide members with preliminary estimates of their prospective retirement benefits, dependent upon their credited service time, salary information, benefit option chosen, and retirement date. Although the division tries to bring closure after one session, members may schedule additional sessions if needed.

Figure I-5 depicts the number of people counseled by the unit between calendar years 1982 and 1990. As the figure shows, the number of retirement system members receiving counseling on an annual basis has been between 900 and 1,000, except for the last

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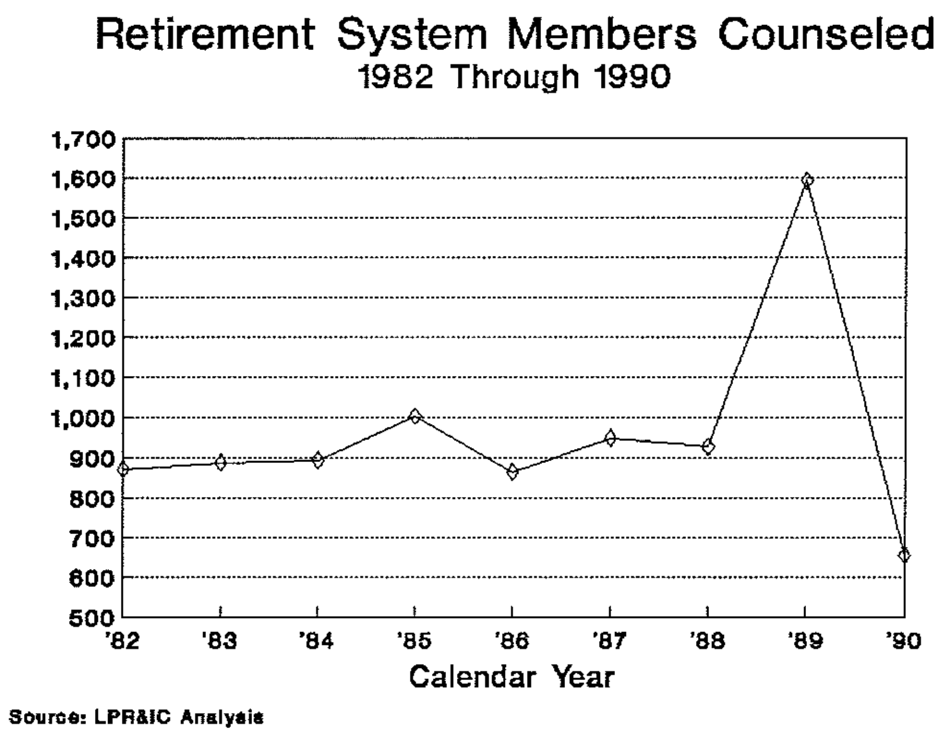
Figure I-5



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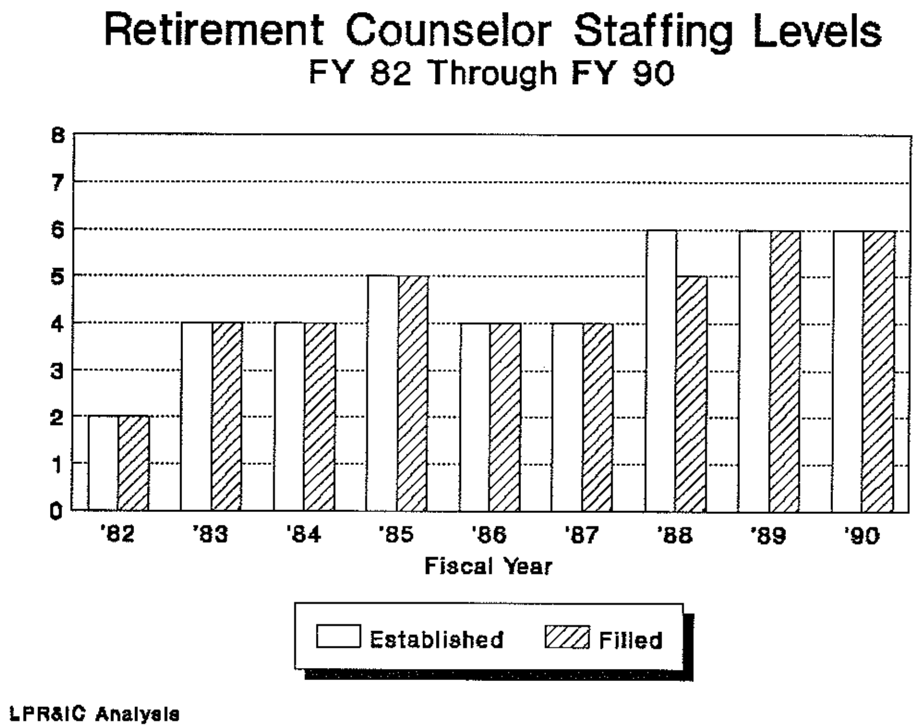
two years. During calendar 1989, the early retirement incentive program was in effect and the number of people counseled increased from 927 to 1,592, or 72 percent. Due to the greater demand for counseling services, the unit conducted group counseling sessions, in addition to individual sessions, to help alleviate the increased workload. In 1990, the number of people receiving pre-retirement counseling declined to 655 from the previous year.

The workload figures shown in the graph represent the number of people actually counseled in person, and do not include persons assisted over the telephone or by mail. Also, the numbers only depict members from the State Employees Retirement System who have received counseling, and do not include members from other retirement systems who have also received services from the unit.

Figure I-6 compares the number of established positions within the Counseling Unit with the number of filled positions for FYs 82-

Figure I-6



90. The figure shows that in each of the years analyzed, except FY 88, the number of filled counselor positions equaled the number of established positions. The number of counselors increased between FY 87 and FY 89 to a high of six, a level that was maintained during FY 90.

Data base unit. The Data Base Unit is divided into two sections, each headed by a supervisor. The first section, Contributions Accounting, is responsible for ensuring that retirement system contributions received from Tier I members balance with state payroll figures. This information is contained in a contributions data base and can be accessed by other Retirement Division staff, namely application auditors.

The other section is responsible for maintaining members' personal and plan information received from agencies, as well as service credit information. The unit also has the task of responding to any inquiries from or changes made by members regarding employee benefit statements. The unit has 13 positions of which four are vacant.

Although data bases are maintained for the types of information processed by the unit, the division is apparently reluctant to use these data because of inaccuracies or incomplete information, in part because agencies sometimes submit late data or no data at all. A more detailed explanation of the retirement data base system is presented in Chapter II.

Purchase unit. The Purchase Unit processes and computes all applications for the purchase of service credit for Tier I, and ensures that Tier I members are properly billed for such purchases since this is a contributory plan. The unit handles service credit applications for Tier II members also. Any errors made by employing agencies with respect to contribution deductions are corrected by this unit. A data base containing information on service purchases is available to division staff.

The unit processed 1,332 and 1,569 service credit purchases in FYs 88 and 90 respectively, and is fully staffed by five employees.

Disability unit. The Disability Unit receives and processes all disability applications for state and municipal employees, including making sure that service and medical information is correct and submitting claims to the Medical Examining Board. The unit is also responsible for communicating with applicants as to the status of their claims.

The number of annual disability retirements from FY 85 to FY 90 has risen from 98 to 168, or 71 percent. The unit is fully staffed with three people.

Duplicating services unit. This unit maintains the division's record-keeping system using both microfiche and hard files and is fully staffed with four people.

Investigations and recovery unit. The Investigations and Recovery Unit monitors the integrity of the retirement system by ensuring that benefits are going to live persons and are being paid properly, by matching Social Security numbers with death notices, investigating system abuses, and surveying system members to gather accurate information. The unit has four people and is fully staffed.

Payroll unit. The Payroll Unit prepares the retirement system payroll and makes sure that new claimants are added to the system and persons no longer eligible for payment are removed. The unit is fully staffed with seven people.

Health insurance unit. This unit ensures that correct health benefits are given to retirees and that new retirees are properly enrolled in the health insurance system. The unit is also responsible for disseminating information about health benefits for retirees and is fully staffed with five people.

As previously mentioned, in addition to the units responsible for the administration of the State Employees Retirement System, part of the division's organization is responsible for administering the Municipal Employees Retirement System and other miscellaneous retirement systems, as well as Social Security matters. The following four units are responsible for these functions.

Municipal employees retirement system (MERS) unit. This unit combines the same services available for SERS into one unit for the Municipal Employees Retirement System, which is the next largest retirement system in terms of membership the division administers next to SERS. One counselor from the Counseling Unit also provides counseling for MERS members. It is the division's goal to eventually have all of the SERS counsellors knowledgeable about the municipal retirement system, as well as the other retirement systems.

Miscellaneous systems unit. This unit handles matters concerning the various other retirement systems administered by the state.

Social security unit. This unit serves as the state's intermediary for matters relating to Social Security.

Accounting unit. The Accounting Unit maintains the entire division's accounting records, which is a highly manual operation.

Finally, the division has a retirement benefits advisor and a management analyst who perform a variety of tasks. One of their responsibilities has been to develop and update procedure manuals for each of the division's units. The state auditors, in their 1989 audit of the retirement system, cited the division for not having completed, or updated existing, procedure manuals. Currently, procedure manuals have been completed for many of the division's functions; however, no manual has been developed yet for the retirement application audit process.

Budget and Staff Resources

The program review committee analyzed both current levels of and trends in the Retirement Division budget and staff resources for FY 84 through FY 90. In the analysis, retirement data base funds, which are included as a line item in the division's budget, are not included as part of division funds. The division is not responsible for the data base; the comptroller's Computer Services Division actually uses the data base funds. Resource analysis concerning the data base is presented in Chapter II.

Current budget expenditures. During FY 90, the division's general fund budget appropriation was $2.8 million while its expenditures totalled $2.1 million, or 75 percent of the appropriation. In addition, the division was reimbursed $546,000 for the administration of the Municipal Employees Retirement Fund by the fund's participating municipalities.

Expenditures for personal services totaled approximately $1.9 million, or 89 percent of the division's general fund expenditures, while other expenses accounted for just under $240,000, or 11 percent. No equipment costs were incurred during the fiscal year.

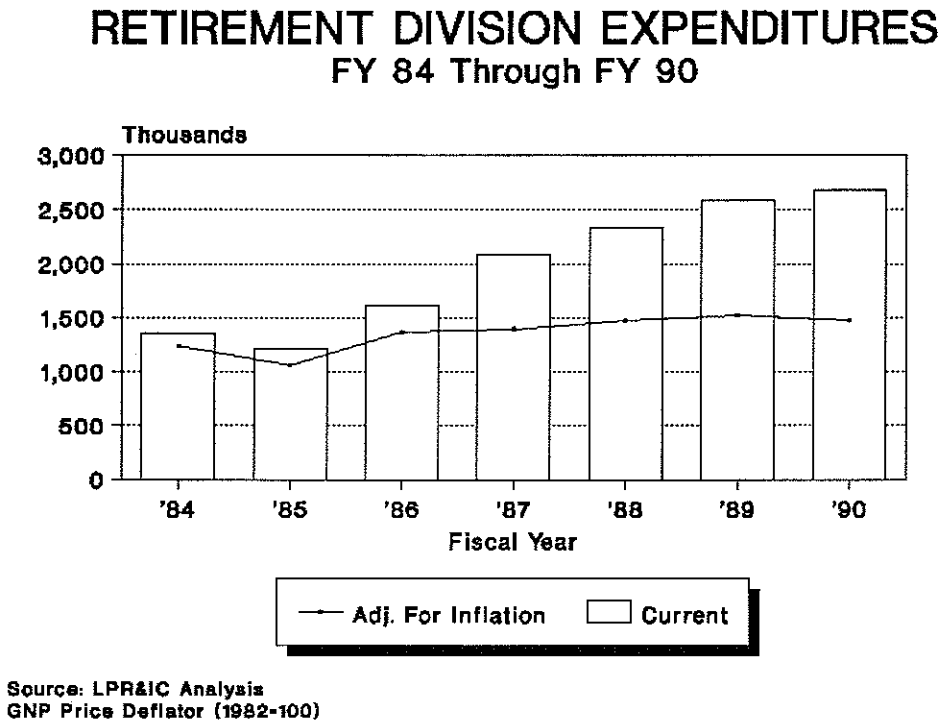
Budget expenditure trends. In Figure I-7, the Retirement Division's budget expenditures for fiscal years 1984 through 1990 in current and deflated dollars are shown. As the figure illustrates, the division's general fund expenditures, after accounting for inflation, increased between FY 86 and FY 89. Only in FYs 1985 and 1990 did the division's expenditures decrease from the previous fiscal year.

Since the Retirement Division is actually a part of the comptroller's office, the program review committee compared the budget appropriations and expenditures of the two entities to determine whether or not the division's budget maintained the same growth or decline as that of the comptroller's budget. All division appropriations and expenditure amounts, except for retirement data base funds, are excluded from the comptroller's figures.

Committee analysis shows that between FY 87 and FY 90, appropriations for the comptroller's office (not including funding for the Retirement Division) decreased 12.6 percent from $14.1 million to $12.3 million after adjusting for inflation, and expenditures decreased 59.4 percent, from $16.5 million to $9.8 million. Appropriations for the division, meanwhile, had an adjusted increase of 7 percent during the same period, from $1.8 million to almost $2 million, while its expenditures increased almost 6 percent from just under $1.4 million to $1.47 million.

Although appropriation amounts for just the Retirement Division prior to FY 87 were not obtainable, expenditure amounts were available. Between FY 84 and FY 87, the division's expenditures increased just over 13 percent, while expenditures for the comptroller's office increased by an overwhelming 160 percent. In addition, for the entire period examined -- FY 84 through FY 90 -- division expenditures increased by 20 percent while the comptroller's office expenditures escalated 94 percent.

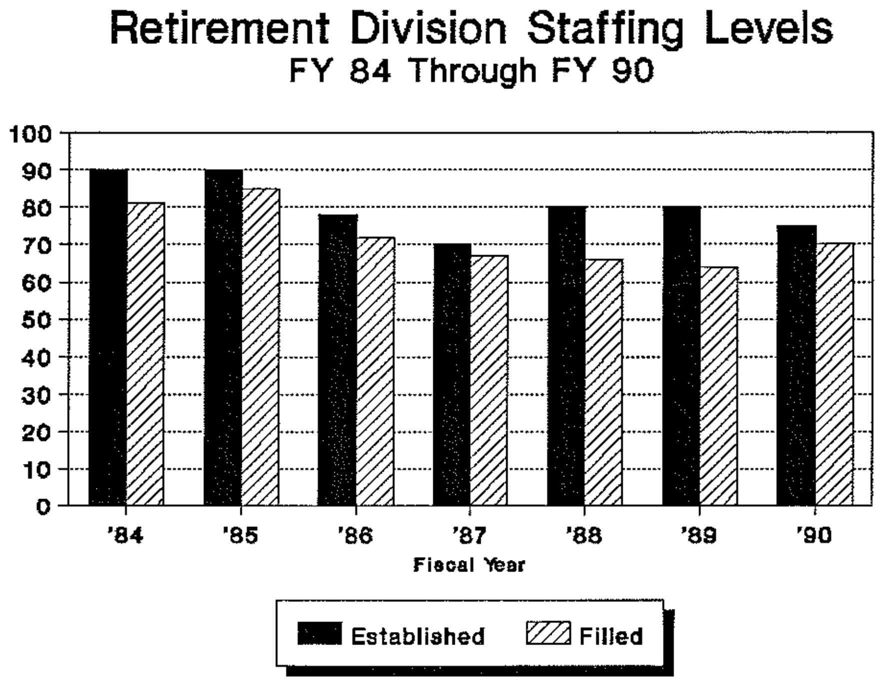
Figure I-7



Current staffing. According to the division's June 1990 personnel status report, 75 general fund positions were established (funded), of which all but five were filled. In addition to the general fund positions, nine staff members administer the municipal retirement system and are paid for out of nonappropriated funds reimbursed to the division from municipalities that participate in MERS. Of these nine special fund positions, there was one vacancy and one nonpaid position.

Staffing trends. In Figure I-8, trends in the division's general fund full-time staffing levels between FY 84 and FY 90 are shown for both established and filled positions. During this time, the number of established positions decreased 17 percent from 90 to 75, while filled positions decreased 12.5 percent from 80 to 70. One of the main reasons for the decline is because positions associated with the development of the retirement data base were removed from the division in FY 87.

Figure I-8



Source: LPR&IC Analysis

Following the removal of positions relating to the retirement data base, the number of positions within the division actually filled between FY 87 and FY 89 slightly decreased from 66 to 63. However, the number of established positions for the same period increased from 70 to 80. The program review committee was told that the primary reason the division could not fill a large part of its funded positions during FYs 87-89 was because of a lack of office space. The comptroller's office has since moved to a larger facility.

SECTION II. RETIREMENT COMMISSION

The Connecticut State Employees Retirement Commission is statutorily responsible for the administration and "proper operation" of the State Employees Retirement System, as well as certain other public pension systems. The commission is a distinct public agency. Under its authorizing statute, the commission has the ability to delegate fiduciary responsibilities and administrative duties to "other individuals as it deems appropriate or necessary".

Composition. The retirement commission has 15 member-trustees representing different interests including:

- six representing employees, coming from unique bargaining units, and appointed by bargaining agents for three-year terms;

- six representing management and appointed by the governor for three-year terms;

- two actuaries, one nominated by the employees' trustees and the other by management's, appointed by the governor for three-year terms; and

- one neutral trustee, serving a two-year term as commission chair, who must be enrolled in the National Academy of Arbitrators, nominated by the employees' and management's trustees, and appointed by the governor.

The state comptroller serves ex officio as the nonvoting secretary of the commission. Appendix B presents a roster of commission members as of December 1990 and their affiliations.

A majority of members constitutes a quorum for commission business, and all commission members are entitled to one vote. In the event of a tie, the neutral trustee, as chair, casts the deciding vote.

By statute, the retirement commission must meet at least once a month, and annually report to the governor. All trustees, except the chair and the two actuarial trustees, serve without compensation but are reimbursed for travel expenses incurred in the performance of their duties. The paid trustees receive their normal per diem rate plus travel expenses.

Powers and duties. By statute, in conducting the business of the various retirement systems, the commission is to act:

- with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

- in accordance with strict fiduciary standards and responsibilities; and

- in accordance with the provisions of the general statutes and applicable collective bargaining agreements.

Most of the specific responsibilities of the commission have already been touched on because they represent activities carried out by the Retirement Division. For example, the commission is required annually to provide SERS members with employee benefit statements. The commission is also responsible for producing a summary plan description for members because each member of the system is entitled a summary plan description 90 days after beginning state employment and then every four years. In addition, the commission statutes provide that members must be notified within 210 days of any significant statutory plan amendments.

System funding. The program review committee did not review any system funding issues. However, the commission has significant responsibilities in those areas; for background purposes, some main fund obligations of the commission are highlighted here.

By law, the State Employees Retirement System is funded on an actuarial reserve basis. Thus, the commission must annually certify to the legislature the amount necessary to establish and maintain the fund on a determined actuarial reserve basis. The commission must biennially prepare a valuation of the assets and liabilities and certify to the legislature the amount needed to meet the cost of current service.

The commission is required to employ one or more actuaries to carry out its actuarial duties. These actuaries investigate the mortality, service, and compensation experience of the system's members, as authorized by the commission and, on the basis of investigations, recommend required rates and tables. With these recommendations, the commission must adopt necessary tables and certify necessary rates of contribution. At least once every five years, the actuaries must make a valuation of system's assets and liabilities.

Operations. By regulation, the commission has delegated the routine processing of individual benefit matters to the Retirement Division. As a result, the large majority of benefit applications are handled by the division, and the only involvement of the commission is at its monthly meetings, when it ratifies retirements processed in the prior month.

If an individual disputes a decision of the division, he or she is entitled to a review and reconsideration of that decision by the commission. Commission regulations provide that the commission will accept a petition for review of an application if an individual provides additional evidence or legal provision. When an individual has requested a review, division staff prepares a case history for the commission, as well as providing copies of any pertinent correspondence.

Many of the claims are first reviewed by one of several commission subcommittees, which meet on an ad hoc basis. Currently, there are subcommittees on: data base/actuary matters; purchase of credit and related matters; overpayments; regulations; and disability. The most active, the purchase subcommittee, meets about four to six times a year. The subcommittees that review individual claims usually recommend claim dispositions to the full commission.

If the issue is not resolved to the satisfaction of the individual after a full commission review, the person can request a hearing under the Uniform Administrative Procedure Act, which is conducted by the commission. Any further appeal of a commission decision would be to the courts.

At a typical meeting, the commission will:

- approve minutes from the previous meeting;
- act on requests for per diem and expense reimbursements for the chair and the actuary trustees;
- approve division administrative activity on SERS service retirement applications in the previous month;
- receive information on SERS disability retirements approved by the Medical Examining Board;
- approve MERS retirements;
- address issues dealing with expenditures of funds; and
- handle individual cases.

The commission also frequently requests the opinion of the attorney general on questions of statutory interpretation.

The individual case workload of the commission varies from month to month. During one eight-month period reviewed by the committee, an average of 16 claims came before the full commission each month. A large proportion of these claims pertained to applications for the purchase of service credit. For certain types of claims, there are specific provisions allowing the commission discretion in disposition, which are described below.

Over/under-payments. By law, if the retirement commission (via the Retirement Division) discovers that a member of any system it administers has received a smaller or larger benefit or other payment than entitled, it must notify the member, correct the discrepancy, and to the extent practicable, adjust the member's payments. Members who are underpaid may elect to receive their adjusted benefits in one payment.

The commission may waive some or all of the repayment, however, if a member has been overpaid and could not have reasonably detected the error and the commission believes that repayment would cause the member hardship. Commission regulations establish criteria for overpayment and state that repayment should be waived when:

(1) the recipient could not have expected to detect the error;

(2) the recipient was not at fault (i.e. did not falsify information resulting in overpayment); and

(3) repayment would reduce a recipient's overall income to an extent that would cause hardship.

If a recipient wants the commission to waive repayment of some or all of an overpayment, the individual must produce income tax returns from the last two years and current balances of all bank accounts, although the commission does not limit the type of information the person may provide. The commission may also treat one-time overpayments differently than those made over a long period.

Purchase credit deadlines. As noted in Appendix A, many of the opportunities for Tier I members to purchase service credit were subject to an October 1, 1985 deadline. Because of this, if the Retirement Division receives any claim for those purchases now, it will deny them based on the deadline. However, according to the deadline statute, the retirement commission is to "liberally construe" the provisions of the deadline requirement in determining whether employees are eligible to purchase any of the credits.

To implement the liberal construction provision, the commission has developed a standard of "extenuating circumstances". If the commission finds extenuating circumstances in an individual case, it will waive the deadline and allow the late purchase. A common extenuating circumstance claimed by individuals is that he or she did not receive notice of the deadline. The commission requires corroboration of such claims to provide relief.

On a related matter illustrating how the commission carries out its business, the commission also established a last chance policy with respect to making purchases subject to deadlines. The October 1, 1985, deadline for many Tier I credit opportunities was established to provide stability to the Tier I fund. The Retirement Division received many timely requests to purchase such credit, and prepared invoices describing what was owed with a deadline to respond.

However, many people apparently did not answer these invoices, and the division was in the position of having timely purchase applications on file, but no follow-up purchase by members. The commission subsequently developed a last chance letter policy, whereby everyone with pending applications was sent a certified letter notifying them that they had thirty days to respond to the letter. If they did not, they would be barred from purchasing the credit for which they had applied.

CHAPTER II
RETIREMENT DATA BASE SYSTEM

To calculate a person's retirement benefit, three main types of information are used: demographic; financial; and service credit. Much of what the Retirement Division does to determine service credit information is to review individual employment and payment records to construct service credit histories. The original sources of these records are the various employing state agencies where the records are maintained.

Efforts to automate both the collection and storage of the different types of retirement information have been under way for several years. These efforts have created a number of retirement data bases at different stages of development and accuracy. At present, automated data bases exist for demographic and financial information, but problems continue with automating a person's complete and accurate employment record -- both in terms of historical and current service credit information.

Background

Since the late 1970s, when the Retirement Division took over the responsibility of finalizing retirement applications from the state auditors, various attempts both within and outside the comptroller's office have been made to create an automated data base of retirement information. During the first few years, however, very limited resources were provided for data base development.

It was not until 1982, as a result of a pension contract agreement, that the state made a strong commitment to develop a retirement data base. To facilitate a requirement contained within the agreement, that the retirement commission provide each member of the State Employees Retirement System with an employee benefit statement beginning July 1, 1985, the state was required to allocate up to $2 million during FYs 1983 and 1984 for the creation of an automated retirement data base.

Since then, a system of separate, but compatible, data bases initiated and completed at different times has developed, at various levels of accuracy and completeness. Also, as described below, management of the retirement data base project has changed several times since the early 1980s.

Project management. Until mid-1986, responsibility for the development and implementation of the data base rested with the Retirement Division in conjunction with the Department of Administrative Services's (DAS) Bureau of Information Systems and Data Processing (BISDP) and private consultants. It was during this time a data base for historical service credit information was developed.

By 1984, a system was implemented whereby agencies would send demographic information to the Retirement Division, which, after verifying the accuracy of the data, could then enter the information into appropriate data bases via an on-line connection with the state data center. The data could then be used by division personnel for specific purposes, mainly for employee benefit statements that were to be distributed in the following year.

Although the Retirement Division was responsible for the data base project management at the time, a decision was made by the comptroller's office in 1986 to transfer project control to the Financial Management Information Systems Division (FMIS), also located in the comptroller's office. In addition, the use of private sector consultants was increased.

Between 1985 and 1986, Arthur Anderson and Company, which was already working on the state's automated payroll system, was also given a chance to develop a feasible way of implementing an automated data base. The firm produced two studies and observed that the retirement system should be interfaced with the automated payroll and personnel systems, and design work to utilize agency time and attendance systems should continue. Such an interface would result in a system for obtaining service credit information, thus reducing or eliminating the amount of redundant data produced by agencies and processed by the Retirement Division.

In early 1986, implementation of a data base to begin accounting for contributions made to the retirement system was completed. A system to record an employee's previous retirement contributions was also completed at this time allowing the division to not only track an employee's present contributions to the retirement system, but past (back to 1968) system contributions as well.

In 1987, a decision was again made by the comptroller's office to transfer management of the retirement data base project. It was decided that too much emphasis was being placed on outside consultant use and state government personnel should have more oversight of the development and implementation of the data base. At this juncture, project control was given to the comptroller's Computer Services Division, which oversees the data base project at this time.

Historical service credit. Attempts have been made to collect both historical and current service credit information, and data bases exist for each type. In the early-to-mid 1980s, an effort was made by the Retirement Division to input historical service credit records of retirement system members. The information, previously submitted by agencies, was entered for each member of the system via keypunch cards into a data base maintained at the state's central data processing center. At present, a data base for historical service credit includes information up to 1984.

There are serious concerns and doubts within the division, however, as to the accuracy and completeness of the historical service credit data base. The program review committee has been informed that retirement application auditors cross-checked information received from agencies with the information contained in the data base and that discrepancies were discovered.

Efforts to make the data base more accurate and complete are not being made at this time. The historical data base is "static", meaning no new information is added to it, nor is the information it already contains being checked for accuracy. The committee has been told that this is due to a lack of personnel to "clean up" the information.

Attention is now being focused on a way to develop a system to account for current changes made to a person's service credit record. The obvious impact of not having a historical service credit data base on the operations of the Retirement Division is that application auditors cannot access a complete file for service credit and must continue to manually examine paper records.

Current service credit. Separate from the historical service credit data base, a current service credit data base exists to track changes in a person's employment record (e.g., leaves of absence without pay).

Since 1984, state agencies have been required to submit to the Retirement Division a summary of any changes to a person's service credit at the end of each payroll cycle. The summary form is intended to improve upon the previous individual file-card method.

Once the summary information comes to the division, one person is responsible for entering it into the current service credit data base maintained at the state data center. A few agencies send this information, via computer tape, to the Computer Services Division, which loads the information into the data base.

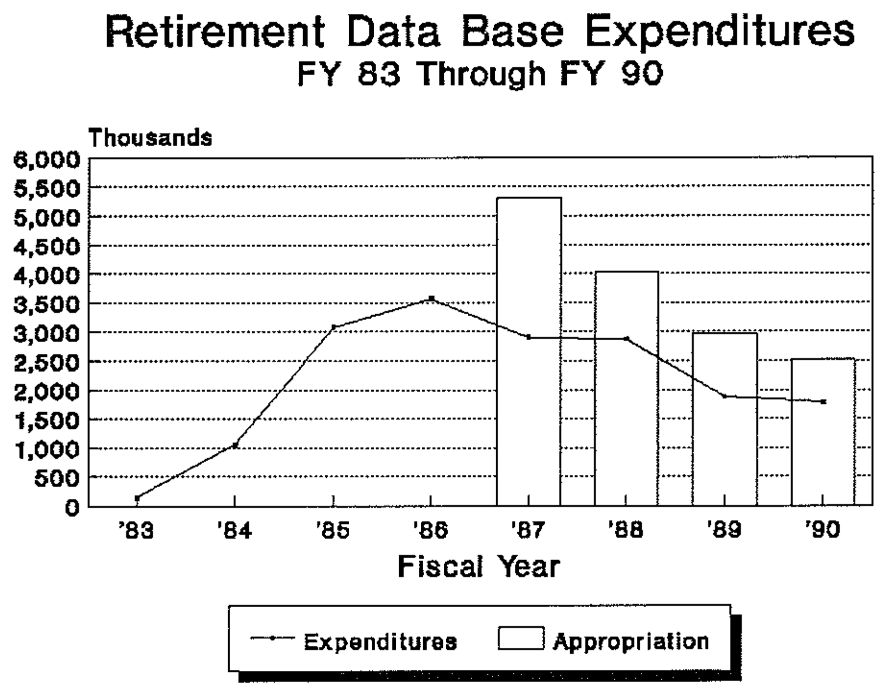
However, no one is responsible for confirming the accuracy of the information at either the Retirement or Computer Services Divisions. Also, not all agencies comply with the requirement to submit the information. For these reasons, as with the historical service credit data base, Retirement Division personnel are hesitant to use the current service credit data base.

An additional resource the Retirement Division may use for service credit information, particularly leaves of absence, is the Connecticut State Employee Information System (CSEIS) data base maintained by DAS. The CSEIS data base, however, only captures leaves of absence of five days or more. This is significant because the division accounts for all leaves, regardless of length, when calculating service credit.

Funding. The automated retirement data base project has consistently received funding over the last several years. As of June 1990, approximately $17.4 million has been spent on the design and development of a retirement data base.

Figure II-1 shows the amounts expended for the retirement data base since FY 83. The figure also shows yearly appropriation amounts beginning with FY 87 (appropriation amounts prior to FY 87 were not available). As the figure depicts, since at least FY 87, less money has been expended for the retirement data base than was appropriated.

Figure II-1



Source: LPR&IC Analysis

Problems. The inability to have certain types of data in an automated form, and the lack of complete and accurate service credit service, causes problems. Division auditors have to manually examine paper forms showing service credit data, a time-consuming process, and one with a potential increased margin for error, either because of the accuracy of the records themselves or the examination process. This undoubtedly is one of the factors behind the division's backlog of finalizing retirement benefits.

The committee has been told that a major resource commitment would be needed to begin to collect and input historical employment information on every member in the state's retirement system. As time goes on, this becomes an even more arduous task as new people are employed and information concerning their service changes. Also, the logistics of accomplishing this are difficult since personnel files are kept at agencies and not the retirement division, which would require most of the work be done at numerous sites throughout the state.

Current Efforts to Obtain Service Credit Data

On-line summary system. Since 1989, development of a new on-line system has been under way to collect changes in an employee's service credit record and replace the paper summary forms now used. The Computer Services Division, in conjunction with the Retirement Division's Data Base Unit, has been working on a way to electronically exchange service credit information between state agencies and the Retirement Division for entry into the current service credit data base.

The intent of the new on-line system is to eliminate the need for agencies to manually prepare and submit this information. However, the current problem of actually getting agencies to submit the information would remain, even with a new, electronic, method of transfer.

So far, a user's manual describing the on-line system has been developed for agencies. Also, training sessions to introduce the system to agency personnel were scheduled to begin in November 1990. Training will be held in phases with approximately 15 agencies trained in each phase. After training is completed, a pilot agency will begin using the on-line system to transfer actual data to the Retirement Division. No time frame has been set for completion of the pilot project.

Time and Attendance Systems

In addition to the on-line summary system described above, another potential means of collecting service credit information for use by the Retirement Division would be through a time and attendance system. Several time and attendance systems are either developed or are being developed, as in the case of the comptroller's office, for use by state agencies.

Essentially, a time and attendance system is an automated way for agencies to record, on a biweekly basis, the amount and types of time (e.g., overtime and shift differentials) earned by each employee. The system can then compile such items as vacation days used and leaves of absence without pay. A benefit of an automated time system is that a component could be added that would translate time data automatically into corresponding payroll data.

Comptroller's project. Separate from the new on-line system to collect service credit mentioned above, the Computer Services Division is also working on developing a centralized, automated time and attendance system. According to the comptroller's office, the time and attendance system is being designed primarily for two reasons: 1) to fully develop the retirement service credit data base by requiring agencies to record certain service credit information, currently contained on summary forms submitted by agencies; and 2) to augment the central payroll system by providing agencies with an automated time and attendance system.

The comptroller's system is being designed to combine entry of time and attendance data with the automated on-line payroll system, operated by the comptroller's office, so that agencies would only have to enter data into one system. Because of the payroll connection, the data would automatically transmit to the comptroller's office.

In order to develop the comptroller's time and attendance system, 3 of the 14 people assigned to the retirement data base project fulltime, in addition to 3 people from the comptroller's payroll division, have been re-assigned to work on the time and attendance project. An additional person from the retirement data base project is scheduled to be re-assigned to the time and attendance project.

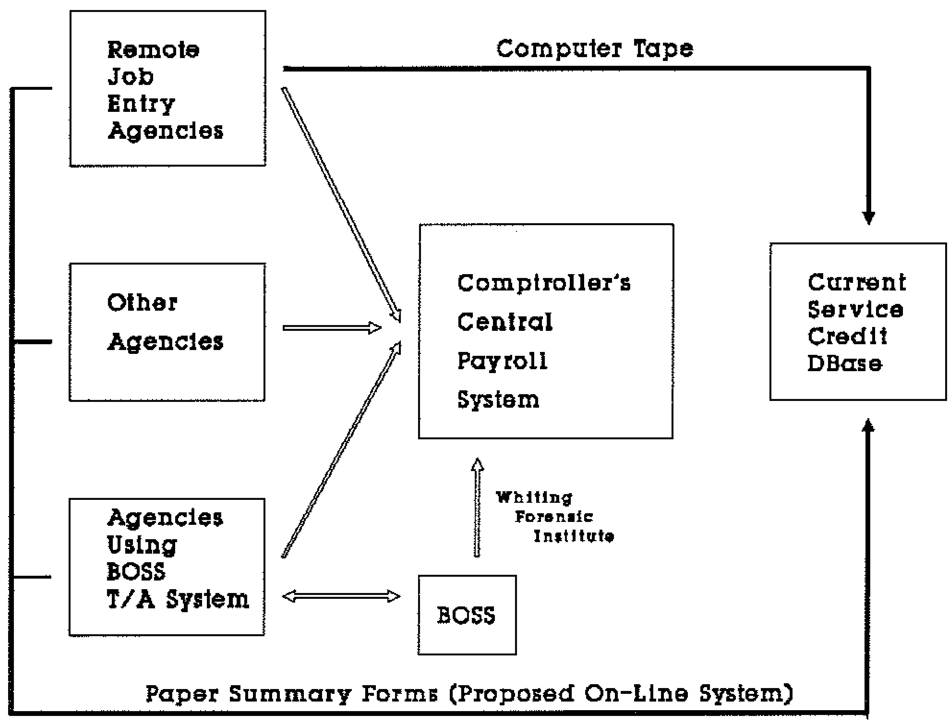
Development of the time and attendance system was initially scheduled to start around mid-1988 but, according to the Computer Services Division, actually began in July 1990. The program review committee has been told that the delay was because the comptroller's office did not have the appropriate computer system to maintain a time and attendance system, as well as having office space problems. However, through capital fund money made available by DAS, new computer mainframes were purchased by the comptroller's office and, coupled with a move to a new office location, the project has begun. A pilot test of the system is scheduled to begin in January 1992.

Other time and attendance systems. Since 1984, the Department of Administrative Services has offered a time and attendance system, known as the Business Office Support System or BOSS, to interested agencies. Agencies pay for the system on a revolving fund basis. At present, 13 agencies employing approximately 9,000 people are using the BOSS system, which is customized for any particular agency needs. Individual time and attendance systems also exist at some state agencies including the transportation and income maintenance departments and legislative management.

The BOSS system, using time and attendance information submitted by agencies, performs several different functions for those agencies. The same will hold true with the comptroller's time and attendance system, except that it is also being designed to collect the data necessary to develop the retirement service credit data base. The committee was informed, however, that BOSS could be modified to collect whatever information is required for the retirement data base system and is not being collected now.

Figure II-2 diagrams the information flow of current service credit data, time and attendance information, and payroll data as it presently exists.

Figure II-2. Present Information Flow for Service, Time/Attendance, and Payroll Data.



Source: LPR&IC Analysis

During the summer and early fall of 1990, representatives from the comptroller's office and DAS met several times regarding the time and attendance system issue, apparently, in part, in recognition of the need for statewide uniformity. A task force, initiated by DAS, was formed to determine what a unified time and attendance system should include and what standards should be in place. The task force, made up of representatives from the comptroller's office, DAS, and persons from the larger agencies that have their own time and attendance systems, endorsed the BOSS system as the one that best met its standards for a unified system.

The comptroller's office, however, abstained from the endorsement. The office informed the program review committee that it believes it should have responsibility for a time and attendance system for the following reasons:

1) Since it has constitutional and statutory authority for matters relating to payroll, and time and attendance tracking is a subpart of payroll, it should have authority for a time and attendance system;

2) Core application of any time and attendance system should reside in the comptroller's office so that it may be properly implemented and integrated with the automated payroll system and the retirement data base system;

3) Integration between the payroll, retirement data base, and any time and attendance systems can be best maintained at the comptroller's office, and the office is in a better position than any other agency to best communicate the needs of each system and handle any problems that may occur with each system;

4) Transmission of important payroll information from an added source (i.e. BOSS) could be disrupted for some reason creating havoc with the tight payroll system schedule currently maintained;

5) Only the comptroller's office knows, and best understands, matters relating to payroll and retirement; and

6) Personnel and computer resources to maintain a central time and attendance system are now available.

The committee notes, on the other hand, that the BOSS system has been developed, tested, and in operation for approximately eight years. Also, a pilot project has been operating for three years in which DAS electronically transfers payroll information it receives from Whiting Forensic Institute's time and attendance system to be integrated with the comptroller's central payroll system.

Although there are costs involved for agencies using the BOSS system, unlike the comptroller's proposed system, the charges work on a revolving fund basis, meaning that instead of DAS paying for the system, monies from agency budgets are used. Even though the comptroller's office does not plan to charge agencies for use of its system, general fund monies would be expended in either case.

CHAPTER III
RETIREMENT APPLICATION PROCESS AND CURRENT AUDIT BACKLOG

One of the most basic functions performed for a SERS member is the processing of his or her retirement application. When a state employee decides to retire, his employing agency must prepare and submit a retirement application to the Retirement Division. The only legal directive to the division about what to do with an application is found in regulation, and states "[s]ubject to any directives of the [retirement] commission, all applications to ... obtain any benefit authorized by law..., found to meet statutory requirements or regulations, are processed by the retirement division as routine business."

The division administratively has established a practice of conducting preliminary application audits to verify retirement eligibility, begin sending estimated benefit checks to retirees as soon as possible, and performing final audits to provide finalized benefits sometime later. There are no statutory timetables within which the division must work.

Figure III-1 depicts the steps taken to prepare and process a retirement application. As shown, the applicant's agency is responsible for completing the application to submit to the Retirement Division. The application must provide, among other items, complete information concerning the person's service credit and salary amounts for his or her three highest years' pay. The application must be accompanied by certain other documents including a payment option election form, a choice of health benefits, a copy of the applicant's birth certificate, a federal income tax withholding form, and a spousal consent form, related to option selection.

Theoretically, if completed and accurate, the application should contain all the information needed to establish eligibility and to compute retirement benefits. However, because of the complexity of the benefit rules, the state of agency personnel records, and some built-in information time lags when a person retires, the Retirement Division needs to audit applications. Essentially, the division is auditing historical personnel and payroll records of the various state agencies that have never been independently reviewed before.

<u>Preliminary audit</u>. Members can only retire on the first day of a month, and applications must be submitted before a person's retirement date. Almost all applications actually are received in the month before the retirement date, frequently in the latter part of the month. Virtually all retirees are put on the payroll by the end of the month they retire. To do this, the preliminary audit work must be

Figure III-1. RETIREMENT APPLICATION AUDIT PROCESS (NONDISABILITY)

Prior to step 1, the member most likely received personalized information from his agency or the retirement division regarding estimated benefits, payment options, insurance matters, and other issues.

STEPS	ACTIVITIES
(1) Agency prepares retirement application, and required forms, application is signed by member and agency and submitted to RD	->From records at agency, agency personnel locates and fills in personal and plan information, service credit information including purchased credit, and salary information for highest three years.
(2) RD receives application, date stamps it, and prepares for preliminary audit	->Audit Unit clerical staff gathers personal and plan, employment history, purchase credit, and compensation and contributions data from various sources at division and other comptroller's offices.
(3) Retirement date	
(4) Auditor conducts preliminary audit and calculates estimated benefit	->Auditor examines application for eligibility and facial accuracy, confirms all required documentation present, and reviews data gathered by clerical staff on: personal and plan data; compensation and contribution info, used in the preliminary audit as evidence not only of compensation, but breaks in service (for service credit purposes); and any purchased credit records. The auditor will record differences between application and audit findings. A preliminary estimated benefit will be calculated.
(5) Applicant receives first estimated benefit check	
(6) Auditor commences final audit; additional information requested from agency	->Info. requested includes any missing information (e.g. employment history data), retroactive payment information, confirmation of hazardous duty status, and final accrued vacation and longevity amounts.
(7) Auditor examines data, adjusts for any retroactive payments, and calculates final benefit amount	->Does not review personal/plan or purchase credit info again (unless an issue). Examines compensation and contributions data, and also examines employment info. supplied by agencies. Reviews CSEIS records for compensation verification and retroactive collective bargaining issues. Confirms any retroactive payments, and makes necessary adjustments on application, and adjusts application for final vacation and longevity amounts.
(8) Applicant receives final benefit check	

completed by two weeks after the retirement date. Thus, the usual timeframe for completing a preliminary audit is about one month.

When the application is received by the division, it is date-stamped and clerical staff in the Audit Unit begin to accumulate the necessary documents and records from various sources within the division for use by an auditor who will review the application. The clerical staff also checks with the Counseling Unit to see if the particular person has been counseled, and will use any service credit estimates or other information developed by the counselors.

A letter acknowledging receipt of the application is sent to the retiring employee, which explains how the person will be paid, if found eligible, and requests any missing documents. Once an application is assigned to an auditor, the auditor is responsible for completing the following tasks:

- checking the member's personal and plan information for accuracy;

- verifying that the member is eligible to retire by reviewing the application in the context of the retirement plan rules (i.e., age, years of service); and

- verifying that all required documents have been submitted.

If an auditor identifies someone as potentially ineligible to retire, the application will be reviewed by the Audit Unit supervisor and the appropriate benefits manager, who will send a certified letter to the applicant. Once eligibility is established, the auditor then proceeds to estimate the person's useable service credit and average annual salary based on the three highest years to determine an estimated benefit. To do this, the auditor focuses on compensation and contribution records by pay period.

In addition to confirming the estimated pay for the three highest years, compensation and contribution amounts are also used for estimating service credit. Under Tier I, service credit means all the time a person has made contributions to the system. The auditor scans the compensation record pay period by pay period looking for breaks in service and instances where a person has been paid less than his full biweekly amount. From any underpayment, the auditor can figure out how many days the member did not get paid. Such days, and breaks in service, may represent leaves of absence without pay, and therefore, for Tier I members, cannot be counted as retirement service credit because the member did not make contributions to the retirement fund.

If the member purchased any service credit, the auditor will confirm that from records obtained from the Purchase Unit. Often, a purchase may be in the process of being made when a person retires and cannot be used for a preliminary audit estimate. Accrued vacation at a person's retirement date, also counted as service credit, is taken directly from the retirement application. During the preliminary audit, employment history information is not reviewed unless a specific problem exists.

Based on the preliminary auditor's estimate of service credit and salary amounts, and the member's payment option selection, an estimated benefit is calculated. According to the division, the auditors currently are deducting approximately $20-$30 from the calculated benefit to guard against overpayment in the event that different information is uncovered during the application finalization stage. Over the years, there has been no consistent standard for the reduction amount.

Once an auditor has completed the estimated benefit calculation, the Audit Unit supervisor quickly reviews the preliminary audits primarily by checking eligibility criteria and the estimated benefit calculation. The supervisor then authorizes the member to receive an estimated retirement benefit.

Finalized audit. Sometime after a retiree begins receiving his estimated benefit, a finalization audit starts. (Different auditors preform preliminary and final audits). According to the division, finalizing an application generally occurs in chronological order by retirement date forward. Certain factors may cause the division to work out of order, for example, if a person dies before his application is finalized, or if a person covered by Social Security turns 65 and the "Plan B reduction" goes into effect.

Audit Unit clerical staff typically will prepare a month's worth of retirement applications at one time for finalization. The first step taken is to send a form to the agency from which the person retired. By this form, the division requests information on final vacation and longevity pay, retroactive adjustments to salary (e.g. for collective bargaining or Objective Job Evaluation (OJE) increases), payments made during a certain period (to serve as a check on what is contained in compensation records), and attendance records if necessary.

Additionally, clerical staff will also order new compensation and contribution records, employment history records, and a new set of microfiche records. The final auditors in most cases do not review any of the personal data or plan information of the member, but rely on the preliminary audit work. A final auditor will examine compensation records and note breaks in service, (showing no contributions for Tier I members) and reductions in pay.

The auditor will then review employment history records and any other available data to determine the reason for the breaks, and thus how they should be treated under the retirement statutes. If there is a change in compensation records, there should be a coincident personnel change (i.e. a reason for the compensation change). Alternatively, if there is a personnel change that affected someone's compensation, there should be a coincident compensation change.

The Connecticut State Employee Information System is used by the auditors to verify compensation, gather collective bargaining unit information, and collect information on leaves of absence without pay lasting over five days. The auditors will accept any purchase credits confirmed during the preliminary audit. Also, the auditors are alert for persons in bargaining units for which retroactive collective bargaining negotiations are resolved after the person retires in order to make any necessary adjustments.

According to the division, in the course of finalizing audits, the auditors will often run across mistakes made by agencies in compensating people, either by under- or over-paying. Some of these errors, if uncorrected, can affect a person's final retirement benefit.

Once the final auditor has compiled all the above information, a final benefit calculation can be made. Although the final auditor has calculated a member's service credit to the day, only years and full months are used for the final benefit calculations. The supervisor then signs off on the final audit, and the case is referred to the Payroll Unit for adjustment. A couple of weeks before the member receives his first finalized check, the division sends a form letter explaining the finalized benefits.

Except for adjustments made after finalization, this is the end of the process. However, as pointed out in Chapter II, any administrative decision made by the Retirement Division may be appealed to the retirement commission.

Adjustments after finalization. If a person retires before age 65 and is a member of Social Security, at age 65 his state retirement benefits will be adjusted because he will begin to receive Social Security benefits. When the person turns 65, the division's Payroll Unit automatically makes the adjustment. If someone receives Social Security disability payments before age 65, he or she is supposed to inform the Retirement Division because the same adjustment is to be made.

Disability retirement. A separate unit of the Retirement Division processes disability retirements. When an application for disability retirement comes to the division, it is reviewed for completeness and compliance with any applicable statutory requirements, including, if necessary, a determination of service credit.

Decisions on the medical parts of claims are rendered by the Medical Examining Board, composed of seven physicians who are state employees, and appointed by the governor. For SERS members, the board's decision is final. If the applicant has additional medical evidence, an original denial may be appealed. Otherwise, an applicant must appeal to the courts. There is a 24-month statutory review requirement for approved disability retirements. Under the 1989 arbitration award, the unsuccessful applicant has the right to return to his agency if the board determines he is not permanently disabled from performing his job.

Purchase credit process. A purchase of service credit is often conducted when an employee nears retirement. A separate unit of the Retirement Division processes purchase credits. When a member makes a purchase request, the Purchase Unit will research the claim to ensure that all statutory requirements are met and the applicant is eligible. This research process is very much like the audits performed in the Audit Unit.

Once eligibility is determined, an invoice will be prepared by the unit setting out how much is owed, including interest, by the applicant to actually complete the purchase. Purchase credit cannot be used for retirement purposes until it is completely paid for.

CURRENT APPLICATION BACKLOG

Prior to June 1989, approximately 2,300 retirement applications remained unfinalized creating roughly a one and a half year backlog in finalizing benefits. In 1989, the legislature enacted an early retirement incentive program effective between June 1 and October 1, 1989. Approximately 3,000 applications were received during that period -- with over 2,000 received in the month of September alone. This impact exacerbated an already backlogged division. Early retirement incentive details are set out in Appendix C.

Since the early retirement program, the time between a person's retirement date and when he or she can expect to receive a finalized benefit is almost three years. As of December 1990, the division noted that applications filed in March 1988 were being finalized, with the backlog standing between 5,300 to 5,500 applications.

According to the division, application finalization began to slow down in the early 1980s, for several reasons. First, legislation passed in 1980 treated part-time workers differently than before, making application audits for part-time workers more time-consuming. Also, the legislature raised the minimum age of retirement from 50 to 55 and changed the benefit structure. The law was supposed to take effect in July 1980, but was delayed until March of 1981 because of a legal challenge. Among other effects, this caused increased retirements.

Finally, the incidence of collective bargaining settlements occurring retroactively increased, meaning that applications had to be re-examined to account for salary changes. By the mid-1980s, the division estimates that it was a year behind in finalizing retirement applications. Also exacerbating the problem was a lack of space to put new staff that the division was authorized and wanted to hire.

The growing backlog was not a secret. For example, since 1982, the Auditors of Public Accounts have noted in each of their yearly audits that the time it takes to finalize retirement benefits has been increasing. In its 1982 report, the auditors reported benefit finalization was more than six months behind. By FY 85, the time lag had increased to 8 months; in FY 87, 10 months; and as of June 1988, 20 months.

The state auditors, in an August 1989 letter to the governor, also expressed concerns about the impact of the early retirement incentive program on the Retirement Division. The letter states in part: "... this burden imposed on the Retirement Division comes at a time when it is having extreme difficulty coping with the normal rate of retirement applications."

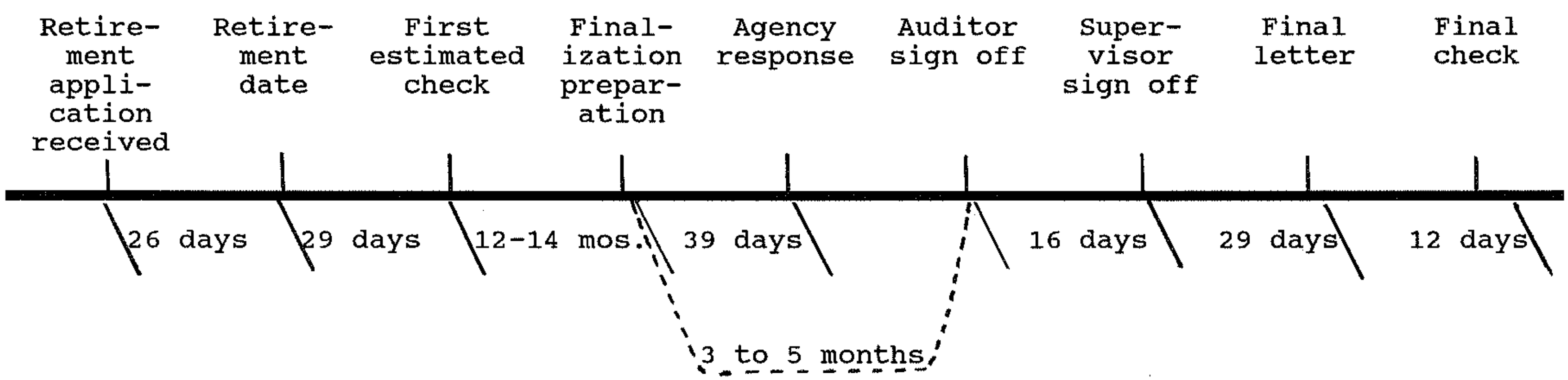
<u>**Retirement Application Sample Analysis**</u>

To assess the nature of the backlog, the program review committee reviewed a sample of 122 finalized retirement applications. The files were analyzed to determine time components of each phase of the application finalization process. Figure III-2 shows these results.

In order to eliminate any unusual delays caused by the incentive program, but also analyze applications from the time they were submitted to the division until they were completed, the sample was chosen from applications completed before the early retirement period of July through October 1989. The sample consisted of applications for which the first finalized check was sent out between September 1988 and July 1989, with 75% of the corresponding retirement dates ranging from April 1987 to August 1987. In the final analysis, the committee reviewed applications prepared by 44 different state agencies, almost all involving Tier I retirements.

<u>**Overall processing time**</u>. As depicted in Figure III-2, the average time taken by the Retirement Division to process and finalize benefits for the sample applications was 20 months. The times ranged from a low of almost 4 months to a high of 28 months.

Figure III-2. RETIREMENT APPLICATION AUDIT TIMELINE



Average length of time between retirement dates and when retirees begin receiving finalized benefits=20 months

Average length of time a person is paid estimated benefits=19 months

Source: Legislative Program Review and Investigations Committee Sample

Fifty percent of the applications sampled showed delays of between 19 and 22 months. Because retirement payments are made in arrears, the average length of time a person received an estimated benefit, not a finalized benefit, was 19 months.

Finalization phase. Of the applications sampled, once estimated benefit checks were sent to retirees, the division did not begin to act on those applications again for an average of 12 to 14 months. This measure was based on the time between when an estimated check was sent, and when the division began collecting information needed for the final audit.

The time the division actually spent finalizing the applications sampled was also calculated, from the time when information necessary to begin finalization was collected until the auditor signed off on the application. Analysis shows the time ranged from a low of 3.3 months to a high of 4.9 months. For some files, agency response times to requests from the division for further information could also be measured; the average was 39 days. The division has estimated that once all the necessary information is gathered for a particular file, an auditor can finalize an application in 4 to 8 hours. The process, however, is not completed at this point.

Post-auditor activity. When an auditor finishes his or her work, the application is initialed by the auditor and sent to the unit supervisor. After the supervisor approves the application, it then goes to the division's Payroll Unit for final processing. In the sample, the average time between the auditor sign off date and supervisor approval date was 16 days. It then took an average of 41 days after the supervisor's approval before the final checks were sent.

Salary. Another goal of conducting the application sample review was to assess the impact of the division's audit procedures on final benefits. Inaccurate benefits potentially harm either retirees or the retirement fund, depending on the nature of the error. One measure of this impact is to determine the difference between what agencies submit to the division in terms of a person's salary and service credit record, and figures upon which the division actually bases the final benefit calculation.

Analysis of the sample shows the average difference between salary figures on the retirement applications submitted by agencies, and those finally used by the Retirement Division, was $210. In one of two extreme cases, the agency's salary amount was higher than the division's final amount by $967. In the other case, the agency's figure was $4,664 lower than the division's final figure.

Table III-1 illustrates the impact a salary difference of $210 could actually have on a retiree who is 55 years old and has 25 years of service. The table uses the Tier I benefit formula.

Table III-1. Benefit Impact of Audit Based on Sample Average Difference of $210	
Original Application Average Salary Amount	2% x 25 years x $20,000 = $10,000/12 = $833 per month
Final Application Average Salary Amount	2% x 25 years x $20,210 = $10,105/12 = $842 per month
Audit Impact	Retiree Receives $9 More Per Month

The table shows a retiree would receive $9 a month after the division audited his or her application. On an annualized basis, the result is $108. This is, of course, a hypothetical case based on an average.

Table III-2 sets out an actual situation where the agency overstated the salary figure, which would have resulted in a higher than earned final benefit for the retiree, and unwarranted fund expenditures.

Table III-2. Benefit Impact of Audit Based on Extreme Case Salary Difference of $967	
Original Application Average Salary Amount	2% X 25 years X 20,967 = 10,484/12 = $874 per month
Finalized Application Average Salary Amount	2% X 25 years X 20,000 = 10,000/12 = $833 per month
Impact of Audit	The fund will not be charged $41 more per month than obligated

The committee identified different reasons why salary figures varied, several of which can be attributed to a lack of complete information on part of the agency when it originally filed the application. For example, in 76 percent of the applications sampled the final accrued vacation amount, which affects salary, was different than the amounts agencies had originally indicated on the applications. However, because applications are filed before retirement, agencies do not always know if a person will take vacation days between the filing and his or her retirement date.

Another reason for differences in average salary is because retroactive collective bargaining agreements resolved after a person's retirement can impact salary amounts. This occurred in 5 percent of the sample. Similarly, retroactive OJE awards affected average salaries in 6 percent of the sample. And finally, in many instances agencies simply over- or understated the salary amounts for reasons unknown to the committee.

Service credit. Another main element of the state employee benefit formula is service credit. Service credit is a record of all the years and months a person has actually worked for the state. It can also include other types of time earned under benefit rules. In the sample, the gap between service credit amounts recorded by agencies and final amounts used by the division averaged 12 days.

Certain files revealed extreme discrepancies. One agency underreported a person's service credit by seven months while another credited an individual with more than two years than that to which the person was entitled.

Because service credit is measured in years and months, the sample average of 12 days would have no impact as a period of time. Twelve days could, however, add another month to a person's total credit. Table III-3 shows the effect one extra month of service credit could have on a retiree's benefit.

Table III-3. Benefit Impact of Audit Based on One Month Difference In Service Credit	
Original Application Service Credit Amount	2% X 25 years X 30,000 = 15,000/12 = $1250 per month
Final Application Service Credit Amount	2% X 25.08 years x 30,000 = 15,048/12 = $1254 per month
Impact of Audit	Retiree would receive $4 more per month

As with salary, a number of reasons for service credit variances were identified. For example, days reported as leaves of absence without pay, for which a person does not receive credit, differed 32 percent of the time. Also, 54 percent of the applications sampled revealed differences in accrued vacation days. Again, the underlying causes for many of the deviations could not be determined from the files.

Final benefit calculations. What the preceding sections show is that what an agency submits on a retirement application is not often an accurate representation of a retiree's record, which the audit process remedies. How much is corrected when the estimated benefit is calculated, as opposed to through the finalization process, could not be assessed in the file review. However, variations between estimated benefit amounts and final benefit amounts could be measured.

The results show the difference between the estimated benefit sent to a retiree and the finalized benefit amount averaged $42 a month. Approximately $20 to $30 of the difference can be attributed to the reduction made in the original estimated benefit as a matter of practice by the division to avoid overpayment. Subtracting this reduction reveals the division's estimated benefit, calculated within a month of retirement, was between $12 to $20 a month less than the final benefit amount. Because the sample showed retirees were underpaid for 19 months, the average lump sum underpayment paid out was $798.

CHAPTER IV
FINDINGS AND RECOMMENDATIONS

The program review committee made several findings and recommendations as of result of its study of the Retirement Division, particularly how it serves SERS members. Two major problems affecting membership service delivery identified by the committee under the system are: 1) the absence of a useable comprehensive retirement data base; and 2) a serious delay in auditing retirement applications. Recommendations made with respect to those problems are intended to clarify responsibilities, establish priorities, and alleviate the impact of the audit delay on retirees. In addition, the committee found other areas in which changes could be made to provide greater understanding of the retirement process, for both agencies and pension system members.

The specific areas of findings and recommendations are: 1) the state employee retirement administrative structure; (2) the retirement data base system; (3) the retirement application backlog; (4) agency retirement functions and pre-retirement counseling; and (5) the State Employees Retirement Commission.

STATE EMPLOYEE RETIREMENT ADMINISTRATIVE STRUCTURE

Chapter I described the structure within which the State Employees Retirement System operates. An examination of the statutory administrative structure supporting the system reveals an organizational scheme of diffused administrative accountability. The State Employees Retirement Commission is statutorily responsible for the administration and "proper operation" of the State Employees Retirement System, as well as certain other public pension systems.

Nonetheless, the commission has no general authority to hire staff to fulfill its obligations, except for actuaries and counsel. Because the commission is assigned to the Retirement Division for administrative purposes only (APO), the division staffs the commission.

The Retirement Division, located within the Office of the State Comptroller, is one of eight subunits within the comptroller's office; the comptroller controls the budget requests and disbursements for the division the same as the others. However, the division's sole responsibility is to assist the retirement commission in carrying out its administrative responsibilities. There is no general charge to the comptroller, either constitutionally or by statute, to be involved in the administration of any retirement systems.

By necessity, though, the administration of the state employee pension system is closely linked to the comptroller's office, because of the comptroller's payroll function. The pension system requires data, much of which is processed through the comptroller's central payroll system, such as compensation and fund contributions -- integral factors related to a person's ultimate retirement benefit. The other main component impacting a person's pension benefits is the actual time spent working for the state. Again, payroll is an important factor because payroll figures are service credit data translated into dollars.

The comptroller does has statutory authority related to certain retirement information, although nothing clearly mandates the comptroller to develop and implement a comprehensive retirement data base. Since 1967, the comptroller has been <u>authorized</u> "to develop, install, and operate a comprehensive, fully documented electronic system for effective personnel data, for payment of compensation to all state employees and officers, and for maintenance of a chronological and permanent record of compensation paid to each employee and officer for the state employees retirement system and other purposes..."

As a result of the present organizational scheme, the commission has operational responsibility for the retirement system, but no control over the resources needed to carry out that responsibility. Conversely, the comptroller's office has budgetary control over the division, but no operational retirement responsibility. Further, the comptroller has the authority to automate certain types of information for retirement purposes, and has instant access to pertinent information, but no specific responsibility to create and maintain a comprehensive retirement data base.

The committee considered whether this dispersion of control and lack of clear responsibility could explain the institutional inability to resolve two chronic, interrelated problems found during this study: 1) the absence of a useable comprehensive retirement data base; and 2) a serious delay in auditing retirement applications. The discussion in the next section about the data base suggests it is a fair conclusion that the development and implementation of a retirement data base have suffered because they are not central to the primary focus of the comptroller's office nor specifically required of that office.

The application audit area is more difficult to assess, and is reviewed in more detail later in this chapter. The existence of the backlog is proof that staffing levels have not kept pace with retirement applications. If it were clear that the location of the division in the comptroller's office created the backlog, the program review committee would recommend that the Retirement Division be transferred out of the jurisdiction of the Office of Comptroller and located within the State Employees Retirement Commission, which would then be a free standing agency. This transfer would institute a sensible, linear organizational structure.

However, audit staff has increased somewhat over the years, even though the comptroller's space problems in the early to mid-eighties squandered opportunities to increase staff even further. And given other factors such as the detail in which audits are conducted, retroactive contract provisions, changing benefit rules, and the early retirement incentive program, it would be conjecture to conclude that had the division been directly under the commission as a separate agency, the current backlog would not exist. However, the committee is aware that when any function competes with other functions for resources within an agency, agency management sets priorities.

Based on the above, the committee makes the following recommendations:

The statutes shall be amended to provide that the Office of the Comptroller shall be specifically responsible for the development, implementation and maintenance of a comprehensive retirement data base system and that the State Employees Retirement Commission be consulted and informed about the data base system on a regular basis.

The Office of the Comptroller shall consider the retirement data base and the current retirement backlog a high priority, and ensure that all funds specifically earmarked for the division-related activities are used to further the division's efforts.

Even though the statutory accountabilities remain somewhat diffused, the negative operational aspects have been addressed without radical restructuring. If the commission were created as a separate agency with its own budget and staffing authority, additional administrative positions would have to be established to carry out those functions. Absent compelling evidence that the current situation or its long term consequences are absolutely untenable, the committee does not believe creating a separate state employee retirement agency is warranted at this time of budgetary constraints.

RETIREMENT DATA BASE SYSTEM

Although service credit information is currently submitted to the Retirement Division, the program review committee found that a complete and useable retirement data base for historical and current service credit is non-existent. The committee also found that the absence of a comprehensive and integrated retirement data base system, mainly due to incomplete and inaccurate service credit information, has serious ramifications on other parts of the retirement system.

The most significant effect of not having a complete and accurate retirement data base is that auditors within the division continue to manually examine paper forms and microfiche files to determine proper service credit. This is a time-consuming process and one that undoubtedly contributes to the division's backlog in finalizing retirement benefit applications.

In comparison with nine other states the committee surveyed, results show that each state has an automated system of determining a person's service credit. Because of these systems, each state can quickly calculate a person's final retirement benefit and process applications. The survey also showed that each state has the capability of calculating final retirement benefits between one to two months following a person's retirement date -- which is not the case in Connecticut. Appendix D contains survey results.

Although Connecticut cannot finalize benefits as quickly as the other states surveyed, there are other factors in addition to the absence of a retirement data base contributing to the delay. For example, final benefit calculations may be delayed because of retroactive collective bargaining increases and Objective Job Evaluation awards. Furthermore, in Connecticut, both legislative and collective bargaining changes can be made to benefit rules, thereby increasing administrative complexity, a situation not existing in other states surveyed.

Since other states can automatically and accurately calculate a person's retirement benefit using automated service credit information, their annual benefit statements are more beneficial than Connecticut's. Connecticut can only estimate a person's service credit, which does not allow for benefit calculations to be made on the statements.

The program review committee also reviewed the operation of the state teachers' retirement system, which, after the State Employees Retirement System, is the next largest public employee pension system in the state. The committee found that the teachers' retirement system has had an automated data base dating back to the early 1960s. At present, this system can account for a complete and accurate portrayal of a member's service history record from which benefit calculations can easily be made upon request.

One of the primary reasons the teachers' retirement system has an updated service credit data base is because the State Board of Education mandates that personnel data from over 160 individual school districts throughout the state be sent to the teachers' retirement board either once or twice a year. Subsequently, this enables the information needed for an automated data base to be collected and stored by one agency in one location.

According to the comptroller's office, the only way to get accurate information to properly develop a service credit data base is by using a time and attendance system integrated with the state's automated payroll system. However, the program review committee found that no unified, statewide time and attendance system currently exists.

As noted earlier, there are actually several time and attendance systems operated at agencies throughout the state. In the case of agencies using the BOSS time and attendance system, program review found that payroll information and time and attendance data, which are essentially the same types of information, are being entered two different times into two separate systems (except in the case of Whiting Forensic Institute). Since time and attendance and payroll information are so closely linked, the committee believes that agencies should not have to enter such similar information into two separate systems. In order to accomplish this, it is only practical that a statewide time and attendance system connected to payroll be developed.

The committee also found that attention is not being given to "cleaning up" the information contained in the historical service credit data base at the present time. The data base remains inaccurate and incomplete, and is not being utilized by Retirement Division personnel for finalizing benefits. The committee, therefore, makes the following recommendation:

Historical service credit

By July 1, 1991, the comptroller's office shall develop and begin implementation of a plan to ensure the accuracy and completeness of the information contained in the historical service credit data base. The plan shall include a schedule whereby service credit records of retirement system members shall be made whole beginning with persons closest to retirement age, as reasonably determined by the comptroller's office, and working back in reverse chronological order. The current employing agency shall be responsible for supplying all information the comptroller's office deems necessary for every person identified by the comptroller's office.

The committee believes that since a historical service credit data base already exists and contains information, an attempt should be made to ensure the information is accurate and up to date. By working back in chronological order, the service records of persons closest to retirement age will be made accurate first.

Not only will this recommendation ensure attention is given to the historical service credit data base, retirement application auditors can also begin using the data base. Using a process that works back chronologically benefits the auditors because persons closest to retirement age will have their service records made accurate sooner than those younger and further away from retirement age.

Current Service Credit

It is extremely unfortunate the comptroller's office has been unable to develop and implement a useful retirement data base for current service credit. The office has determined, however, that such a data base can only be developed by using a statewide time and attendance system. Yet, no statewide system exists at the present time.

The program review committee believes that a statewide time and attendance system is ultimately the most beneficial and efficient way of developing an accurate and complete service credit data base. A decision, therefore, must be made as to the best way to develop and implement such a system.

Although the time and attendance issue concerns matters related to the retirement system, it is beyond the scope of this study to make a decision regarding the actual design of how time and attendance information should be collected. The committee believes, however, that the responsibility of one agency for a statewide time and attendance system should be clearly defined. Therefore, the committee recommends the following:

1) State statutes shall be amended to provide that the Office of the Comptroller shall have sole responsibility for developing, implementing, and maintaining a statewide time and attendance system integrated with the payroll system. The time and attendance system shall be relevant for the proper development of an accurate and useful retirement data base;

2) The new time and attendance system shall be fully operational by July 1, 1992;

3) Prior to the implementation of a time and attendance system, an advisory group shall be formed to provide input to the comptroller's office on the system's design. The advisory group shall include two representatives from the comptroller's office, Department of Administrative Services, and state agencies not using the BOSS system, but having their own time and attendance systems; and

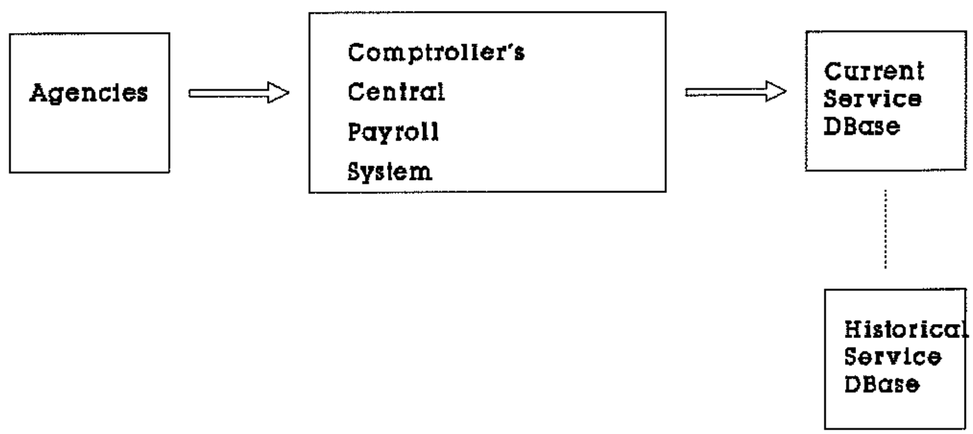
4) The advisory group shall submit a report detailing its findings to legislature's Joint Committee on Appropriations by March 1, 1991.

This recommendation makes clear that one agency is to have responsibility for a statewide time and attendance system to prevent any further uncoordinated development.

By having an advisory group study the time and attendance issue, and subsequently reporting its findings to the legislature, the recommendation encourages communication and coordination between the comptroller's office, DAS, and other agencies before a solution to this issue is determined -- circumstances the program review committee believes have not been present to date. Finally, the time frames outlined in the recommendation assure that the critical problem of not having a useful retirement data base will be given the prompt attention it deserves.

Figure IV-1 illustrates how the system for collecting service credit information should look once a statewide time and attendance system is implemented.

Figure IV-1. Proposed Service Credit Data Base Information Feed.



Source: LPR&IC Analysis

RETIREMENT APPLICATION BACKLOG

The current audit backlog, described in the previous chapter, is a serious matter. It is important to note, however, that recently retired state employees are not going months without state pension checks. Virtually all non-disability retirees receive their first pension checks at the end of the month they retire, which could not occur faster under any circumstances. Even after receiving more than twice the number of annual retirement applications during the early retirement incentive program, the division did not stray from this practice.

The first benefit checks issued are, however, only estimated amounts and not what retirees are actually owed. In the case sample discussed earlier, the difference between the estimate and the final benefit was 4 percent of the average final monthly benefit, a significant amount. Of course, the impact of 4 percent is relative depending on the dollar amount involved.

Underpayment, in and of itself, is not necessarily a problem. The real problem is the length of time retirees are paid less than they have earned. Currently, the division is finalizing applications for persons who retired in March 1988, which represents a three-year delay before the applicants will receive final benefits. (Some applications are finalized out of chronological order, meaning the average finalization delay is less than three years. A common circumstance, for example, is if a retiree turns 65, and his or her benefit has not been finalized, it will be finalized as a priority because of the need to implement the Social Security reduction.)

The application sample analyzed represents a situation during a particular period of time over two years ago, and, in terms of total processing time, depicts a much brighter picture than at present. This is because the sample did not include any applications received as part of the early retirement incentive program. However, as indicated by the sample analysis, a major cause of the current backlog <u>is</u> the backlog. The analysis shows a 12 to 14 month period in which no action was taken by the division on retirement applications. Given the division acknowledges the 3 to 5 month period in which "actual" auditing takes place is still a valid average, any widening of the audit gap is added to the time period when no activity is performed on files.

Many factors contributed to the creation of the initial backlog. The status of employee service credit records, with no effective useable way to access automated service credit information yet developed, is one factor.

Also, the state employee contract process has built-in time lags because of the legislative approval process. In addition, retirement benefits are often in a state of change due to collective bargaining and legislative changes, many of which require administrative modifications within the Retirement Division. Finally, even when additional audit staff were authorized, the positions could not be filled by the division because of office space limitations.

Given all these factors, the committee found the state, by allowing the retirement application backlog to reach the enormity it has, has failed in its duty as an employer to ensure that its retired employees receive the full benefits they have earned in a timely manner. The committee also found the backlog is a very serious problem facing the state and should be considered a high priority by persons in control of the activities affecting retirement.

The results of the retirement application sample review showed the audit process made relatively minor adjustments to the information supplied by agencies on original retirement applications most of the time. Such results encourage thinking about ways to eliminate the detail of the audit process. Even though the actual audit process is currently completed within three to five months, if this time frame could be shortened, the backlog could be cleared up more quickly.

There are certain problems, however, with finding ways to decrease the detail of the audit process. First, the application sample results are averages, and for any particular individual discrepancies could have a much greater effect. Second, to assess the audit procedure as being too resource-intensive for the ultimate outcome is to minimize the importance of every dollar to people on fixed incomes. Finally, given the nature of state employment, with the variety of work schedules, it is unclear how the audit process could take less time while maintaining fairness to all system members.

The creation of a useable service credit data base will be a great asset to the audit finalization process eventually, but it is a longterm project and any steps in that direction would have no impact on the current backlog. The program review committee, therefore, makes the following recommendations to alleviate the impact of the current backlog.

The statutes should be amended to provide for interest to be paid at the rate of 5 percent on the amount of any underpayment that begins accruing six months after a person's retirement date. The interest will be paid from the state employee's retirement fund.

Two problems exist for retirees who are underpaid. One is the impact the underpayment has on retirees on a monthly basis, which can only be solved by calculating a final benefit. The other impact is when the underpayment extends over a period of time. After final benefits are determined, and when retirees receive lump sums consisting of only accrued underpayments, the value of the money retirees are receiving is less than the amount they would have received if the money had been paid when owed. Providing for interest to be paid when final benefits are calculated alleviates in part the impact the audit delay has on retirees.

The committee believes interest payments could be made out of the retirement fund, although an actuarial study of the real effect of interest payments on the fund would be needed. Using the sample results, however, where benefits were underpaid for 19 months at an average of $42 for 122 retirees, one could calculate that the fund gained an extra $97,356. That sum was paid eventually to the retirees in lump sum payments, but it also accrued interest while it was in the fund. Retiree interest should be paid out of this interest.

If the same $42 average monthly benefit underpayment is used in the context of the total backlog of 5,400 applications, assuming a 36-month underpayment period, the retirement fund would have an extra $8.2 million earning interest (albeit on an accrued basis).

Backlog Reduction Plan

The Retirement Division shall establish a detailed backlog reduction plan to clear up the backlog by January 1994. The Office of the Comptroller shall ensure that all funds specifically earmarked to reduce the audit backlog be used for that purpose, and shall provide as many resources as possible to carry out the plan. The division shall submit the plan to the legislative committee of cognizance by March 1, 1991.

Table IV-1 on the next page shows the staff resources exclusively needed to eliminate the backlog, using a workload standard developed by the program review committee. The table presents a best case scenario because the workload standard on which it is based does not take into account time spent by auditors tracking down information. The shaded line represents the current auditor staffing level.

The workload standard is based on the estimate that an auditor can finalize an audit in four to eight hours (assuming all needed information is collected). Using a per audit average of 6 hours, with a 222 workday year and seven hour days, an auditor can complete 260 audits per year.

Streamlining Audit Process

Currently, when the division begins to finalize an application, it requests final vacation, longevity, and retroactive adjustment information from the pertinent agency. In the sample, it took an average of 39 days for the agencies to respond to such requests, after the 12 to 14 month period when nothing was happening to the files while awaiting final action.

Agencies should automatically send to the Retirement Division final information on recently retired employees as soon as information is available, on forms developed by the division, including notification regarding retroactive collective bargaining adjustments.

In addition to speeding up the audit process, the recommendation should make it easier for the agencies to submit this information when it is freshest to them.

Table IV-1. Staff Resources Needed to Reduce Backlog

No. Persons	Audits Completed in One Year	No. of Years to Reduce Backlog
1	260	20.8
2	520	10.4
3	780	6.9
4	1040	5.2
5	1300	4.2
6	**1560**	**3.5**
7	1820	3.0
8	2080	2.6
9	2340	2.3
10	2600	2.1
11	2860	1.9
12	3120	1.7

Source: LPR&IC Analysis

AGENCY RETIREMENT FUNCTIONS AND PRE-RETIREMENT COUNSELING

In Connecticut, state employee retirement benefits are administered centrally by the Retirement Division, guided by the State Employees Retirement Commission. Decentrally, however, the various state agencies also perform retirement-related functions.

Some of these functions relate to individual employee retirements. In addition to preparing employee retirement applications, agencies are, along with union representatives, often the first line of information about retirement for most employees. The division's Counseling Unit is also available answer questions members may have, but is not used by all retirees.

Employee questions can range from general inquiries about the normal retirement age under Tier II, to specific questions regarding what payment option would be best for someone about to retire based on his or her anticipated benefits and lifestyle. The first type of question can be answered relatively easily; the second obviously is more involved.

A committee survey of state agencies showed a high percentage of agency staff assigned to retirement duty spend most of their time doing other functions such as personnel, payroll, or "other" matters (e.g. business office). (See Appendix E for survey results). As a general proposition, the less frequently a person handles retirement issues, the less familiar he or she will be with those issues. This is not a reflection on agency personnel, payroll, and business staff, but a recognition of the intricacies of the state employee benefit rules and periodic rule amendments. And depending in particular on the size of the agency at which a prospective retiree is employed, the accuracy and thoroughness of any retirement information received from the responsible personnel could vary.

The division has no statutory obligation to provide training to agencies. However, both the 1982 pension agreement and the 1989 arbitration award, which govern the state employee benefit system because pension matters are subject to collective bargaining, called for agency training. The division hosted a two-day seminar in the summer of 1990 covering a variety of subjects ranging from hazardous duty retirement requirements to how to fill out retirement applications. Survey results indicate that the seminar was well received, but many agencies also stated that there was a real need for more periodic training. The most recent formal training offered before last summer was in 1985.

According to personnel in the Counseling Unit, they could not counsel all prospective retirees with their current resources. The unit, similar to the Audit Unit, is seriously hampered by the lack of a useable service credit component of the retirement data base. Due to this, and because people often prefer to talk to someone they already know about personal retirement matters, agencies need to be as well informed about retirement as possible.

The Retirement Division provides assistance to the agencies in many ways now. The division periodically sends written documentation explaining any changes in benefit rules, and it is available to answer questions over the phone. Agencies rated the usefulness of both these types of division communication very highly in the survey. However, there is no single place to which an agency can refer that provides integrated information about retirement. Also, there is no periodic training available in which agency staff, particularly new staff, can learn about retirement issues.

The program review committee believes that to ensure agencies receive complete, up-to-date, and uniform information to pass along to employees and use in their retirement work, the following should occur:

A periodic training schedule should be set up for agency personnel whose duties involve retirement-related matters.

A loose-leaf manual providing relevant retirement information and instructions should be prepared by the Retirement Division for use by agencies.

The committee is aware of current efforts being made by the division to provide training to agencies, and believes such efforts can be very beneficial and, through this recommendation, encourages the division to continue its work in this area. Also, having a manual that can be easily updated will give agencies accessibility to a single, integrated reference relating to retirement.

Pre-retirement counseling. As part of the survey conducted by the program review committee of state agency personnel officers, agencies were given the opportunity to comment on what they perceived as problematic with the retirement system. One specific problem was cited by several agencies -- it took too long for employees to schedule appointments with the Counseling Unit.

The program review committee was informed that a few years ago the Counseling Unit notified agencies to advise their employees that the unit needed between four to six months' advance notice before an employee counseling session could be scheduled. The notice policy was established in part to lessen an increasing backlog for counseling appointments.

Although the number of counseling appointments increased dramatically because of the early retirement incentive program, from 927 in 1988 to 1,592 in 1989, the unit is not experiencing a backlog for scheduling counseling sessions at the present time. Normal waiting time to see a retirement counselor is between one to one and a half months.

As of late November 1990, persons contacting the unit are being scheduled for appointments in early January 1991. The unit is also able to counsel someone on an emergency basis, meaning a session could be scheduled much sooner than normal. Therefore, at this point, the committee believes that the time it currently takes to schedule appointments with the Counseling Unit is not excessive, and no recommendations are made.

STATE EMPLOYEES RETIREMENT COMMISSION

As the operational description in Chapter I indicates, the State Employees Retirement Commission has the authority to have a major impact on people's lives. It is very important that the commission operate in a way that ensures fairness and openness, and promotes an understanding of its process.

Conduct of Meetings

Program review staff attended several commission meetings over the course of the study. Except when someone appeared as scheduled, committee staff were the only non-commission or Retirement Division staff persons in attendance. On the occasions a pension member appeared before the commission for review of a division decision or a Uniform Administrative Procedures Act hearing, the member waited outside the meeting until called in, at which point his or her case was presented.

Prior to each appearance, the executive director of the division summarized the facts and issues of the case for the commission. A written case history is also provided to each commission member in advance of the meetings.

After each member presented his or her case and answered any questions raised by the commission, the chairman informed the individual that a decision would be made by the commission and the person would be notified. The person then left, and the commission discussed the case, and usually made a decision. Sometimes, the commission tabled an item for some reason.

At the meetings attended by committee staff, to the best of staff's knowledge, no member ever asked to come in early before being invited or stay after his or her case was presented. It appeared, though, that people assumed they were only allowed to present their cases and then had to leave. (One person scheduled to address the commission on a non-individual matter came into the meeting room before the commission was ready for the topic, and the person was asked to wait outside.) The program review committee believes under the state freedom of information (FOI) law, in most circumstances, commission meetings are public meetings open to anyone who wishes to attend.

Under the FOI law, the commission is a public agency, and as such its meetings are open unless there is specific law to the contrary, or any particular subjects are discussed during meetings that fall within one of the specified statutory exclusions for which public agencies are allowed to go into executive session. There is no general law closing the commission's meetings; therefore, the commission may only close its meetings via a statutory exclusion.

The executive session issue does not come up often because, in general, not many people would have any interest in the meetings unless they are directly involved. Claimants are very interested in the meetings; however, an impression is created that the meetings are closed.

Only one exclusion would seem to be legitimate for the type of work the commission does: the medical files provision, which allows for closed meetings while discussion of such files is taking place. In the context of a disability retirement, medical issues would obviously come up, and the commission could legitimately go into executive session. However, the commission could not exclude the person whose medical record it is discussing.

Program review staff had firsthand experience with the commission's application of the freedom of information law. During one meeting, a commission trustee asked to go into executive session; when informed he needed a reason for doing so, he stated it was to discuss pending legislation. Committee staff was asked to leave.

When the meeting resumed, the member clarified that the reason for the executive session was to discuss matters related to collective bargaining, and a post facto vote on an executive session motion was taken. Not all members of the commission supported the original, or revised, executive session request, but a majority carried.

There is no exclusion for discussing pending legislation, undoubtedly why the reason for the executive session was restated. The revised request refers to the following FOI provision that also permits closed door discussions: records, reports, and statements of strategy or negotiations with respect to collective bargaining. The program review committee does not believe this exclusion is applicable to the commission.

The commission has no purpose or authority to negotiate collective bargaining matters. Granted, it is charged with administering a benefit system that is a subject of collective bargaining, and many of the commission trustees are active in other capacities in collective bargaining matters. However, there needs to be a more a direct connection to actual collective bargaining duties to make the exemption valid. The committee, therefore, makes the following recommendation:

The State Employees Retirement Commission should ensure it complies with the state freedom of information law. Further, the commission should inform all members who come before it that commission meetings are open, including deliberations on members' cases, and that members may attend if they choose.

<u>Decision Digest</u>

Many commission decisions establish precedents about how a particular issue is to be treated. For a member planning on coming before the commission, or for anyone interested in understanding how the commission arrives at its decisions, it would be helpful to be able to review an indexed compilation of decisions. Past efforts have been made to compile the information, but there is no complete document at the present time.

The program review committee recommends that an indexed compilation of decisions shall be kept by the State Employees Retirement Commission.

<u>Commission Regulations</u>

As noted in Chapter I, the commission has developed decision standards to interpret and carry out its statutory obligations. These are commission policies, which the program review committee believes should be established in regulation because of their general applicability. The commission has established regulations spelling out circumstances under which an overpayment will be waived. However, for one of its most common claim areas -- in which people want to purchase credits even though statutory deadlines have been missed -- it has developed a standard of "extenuating circumstances" not documented anywhere except in individual decisions.

Another example of a commission policy that should be drafted into regulations involves the 130 percent salary cap rule. In response to a 1989 arbitration award change, which provided that mandatory overtime is not subject to the salary cap, the commission recently adopted a policy that establishes a presumption that all overtime be considered mandatory for retirement purposes.

Therefore, the program review committee recommends the retirement commission establish in regulation the common standards it uses to decide cases.

This recommendation ensures a fairer, more uniform application of commission authority, as well as allowing outsiders greater understanding about how the commission interprets the benefit rules under which it operates.

APPENDICES

APPENDIX A

STATE EMPLOYEE RETIREMENT SYSTEM BENEFITS AND RULES

MAIN COMPONENTS OF SERS

Retirement benefits available to state employees depend upon what tier they are in, and what plan within the tier, as well as the length of state service and their compensation levels during employment.

Tiers and parts. Generally, whether a state employee is a member of one or another tier depends upon when the employee entered state service. One major difference between the tiers is that Tier I members contribute to the system, while Tier II members do not, except for members in positions designated as hazardous duty.

All Tier II members participate in the federal social security system. Not all Tier I members do, and so the tier is broken into two parts. Part A consists of state employees, other than state police, who are not covered under Social Security. Part B consists of state employees who are covered under Social Security. From time to time, there have been opportunities for transfer between parts.

A person's level of contribution under Tier I depends on the part he or she is in. Members of Part A contribute five percent of their total annual salary. Members of Part B contribute two percent of their salary on which social security taxes are withheld, and five percent of their salary on which social security tax is not withheld.

As of July 1, 1989, there were 31,187 Tier I members and 25,015 members of Tier II. Most present and soon-to-be retirees are members of Tier I, so Tier I provisions are the basis for most current Retirement Division/commission determinations.

Types of retirement. Both tiers offer the same five types of retirement: Normal; early; age 70; hazardous duty; and disability. Among these types, there are differences in eligibility, benefit formulas, and service credit definitions depending on which tier a member is in. The basic eligibility requirements for each retirement type are set out below in Table A-1.

Table A-1. Types of Retirement Under SERS and Eligibility Requirements

TYPE	ELIGIBILITY REQUIREMENTS
Normal	Tier I: age 55 with at least 25 years, or age 65 with at least 10 years Tier II: age 65 with at least 10 years vesting, retiring on or before 6/1/92; or age 60 with at least 25 years vesting, or age 62 with at least 10 vesting but less than 25 vesting years, retiring on or after 6/1/92
Early	Tier I: age 55 with at least 10 but less than 25 years Tier II: age 55 with at least 10 years vesting service
Age 70	Both Tiers: Age 70 with at least 5 years service (Tier I) or vesting service (Tier II)
Hazardous Duty	Both Tiers: No age and 20 years of hazardous duty service(1)
Disability	Tier I: Non-job related disability and five years of service, or job-related disability and no service requirement Tier II: Non-job related disability and 10 years of vesting service, or job-related disability and no service requirement

(1) Hazardous duty service is service: in the Division of State Police as a state police officer; as a detective, chief inspector, or inspector in Division of Criminal Justice, or as a chief detective in any other division; in guard or instructional duties at any state correctional facility or institution; directly and substantially with patients at Whiting Forensic; in specified firefighting, law enforcement or protective services classifications; or in any other position designated as being a hazardous duty position by a pension arbitration award, collective bargaining agreement, Department of Administrative Services, or SERC decision.

As an illustration of a benefit formula and its many variations, the normal retirement benefit formula is as follows:

- Tier I Part B (until age 65): Two percent X years of service X average salary

- Tier I Part B (beginning at age 65): One percent X years of service X $4,800 PLUS Two percent X years of service X average salary over $4,800

- Tier I Plan A or C: Two percent X years of service X average salary

- Tier II Part B: One and a third percent X average salary PLUS One-half of one percent X average salary in excess of year's breakpoint TIMES years of credited service

Benefit formulas for the all types of retirement are presented at the end of the appendix.

SERVICE CREDIT AND AVERAGE SALARY

Each retirement type has its own minimum eligibility requirements, and its own benefit formulas. Common to all benefit formulas are the factors of service credit and average salary. Under Tier I, except for hazardous duty retirements, there is no distinction between credit available to establish eligibility and credit available to determine benefits. Under Tier II, there are two different service concepts at work: Vesting and credited. In certain situations, service that may be used for vesting purposes cannot be used for benefit calculations. The retirement statutes set out what all these terms encompass.

It is worth pointing out at this juncture that no matter how varied the definitions of service credit are, another complicating factor is that the evidence of service credit presently must be gleaned by a manual examination of individual records.

Tier I service credit. Under Tier I, service includes all years and months of state service for which a person has contributed to the SERS fund. Also included is:

- all periods of time a member received temporary workers' compensation or disability compensation under C.G.S. Sec. 5-142(a), except for specific indemnity awards:

- service before 1939 (when the system was established) provided certain conditions are met;

- accrued vacation time;

- a full academic year (10 months) worked by a teacher; and

- service as an employee in certain state-aided institutions and as a vending stand operator.

In addition to "regular" service credit, under Tier I, there are opportunities to purchase service credit by retroactively making contribution payments, with interest, for time periods in which contributions were not being made. Certain leaves without pay may be purchased at any time, if the time conforms to certain restrictions: 1) educational leave without pay: 2) sick leave without pay, and 3) military leave.

Additionally, there are certain types of work experience in other capacities that a person could purchase to increase his total service credit (like wartime military service). Over the years, many of these different purchase credit possibilities were subject to various statutory purchase deadlines. In an attempt to clarify the potential liabilities of the pension fund, the legislature in 1983 established one across-the-board deadline of October 1, 1984, for the purchase of many of these additional service credits. In 1985, the deadline was extended to October 1, 1985.

The law provided that if a member was financially unable to purchase service prior to the deadline, the member and the commission could enter into a contract for installment payments for no more than two years of payments at a five percent interest rate. Service credit was not to be granted unless all installments were made.

The October 1, 1985 purchase deadline applied to:

- prior Connecticut public school service;
- out-of-state or foreign service to educational institutions (10 year limit and restrictions on use for benefits);
- wartime military service;
- service while serving as a member of the general assembly;
- university employees with prior service as hospital pharmacists;
- credit for prior state service;
- service with county or county agricultural extension office;
- service as deputy sheriff;

- credit to court employees for prior municipal service;

- court reporters to receive credit for service as municipal court stenographer;

- retirement credit for employees of the criminal justice division and public defenders;

- Credit for state college bookstore employees; and

- Miscellaneous service credits

According to the deadline statute, the retirement commission is to "liberally construe" the provisions of the deadline requirement in determining whether employees are eligible to purchase any of the credits listed above.

Credit for service to other states is purchasable also, within one year of entry into state service. The other state must have a reciprocal process for former Connecticut state employees, and there is a 10 year credit limit, with restrictions on use for benefit purposes. Additionally, credit may be purchased for previous membership in a municipal retirement system, with the same October 1, 1985, deadline as the above list.

Neither the service to other states or previous municipal membership provisions fall within the liberal construction mandate of the commission. A condition of all purchase opportunities is that no pension has been or will be received from another source for the activity in question. In the 1990 legislative session, the statutes were amended to include additional circumstances to purchase service credit.

Tier II vesting service. Under Tier II, there are two service concepts: vesting and credited. Vesting service is all service with the state beginning on the employee's commencement date and ending with his or her severance from state service. Once a member has accumulated 10 years of vesting service, he or she has earned a permanent, or vested right to a benefit. Specific rules address breaks from state service and their effect on vesting.

Generally, if someone leaves state service and is reemployed within a year, the period during which the person is gone from state service is added to the previous service as vesting service. However, if a member leaves state service and is reemployed more than a year later, and the time he or she was gone from state service was longer than the time served, or five years, whichever is greater, he or she loses all previous time served for vesting service.

Additional vesting service includes:

- military leave, if a person is gone from state service because of U.S. military service, and returns to state service within 90 days after being entitled to release from active duty (such leave is considered credited service only if the period gone is the period of compulsory service plus three years; to receive credit, a person must apply to the Retirement Commission within one year of the employment commencement date);

- a state approved leave of absence period or otherwise granted by a collective bargaining agreement (no vesting service is granted unless specifically indicated in law; these leaves do not count as credited service);

- leaves of absence without pay up to four years to pursue a course of study (does not count as credited service);

- periods of absence due to work related injury or disease for which periodic workers compensation cash benefits are payable are considered vesting service;

- employment in other states, for which a person may also receive both vesting service and credited service provided there is reciprocity; vesting credit cannot exceed 10 years, and for credit purposes, one year of out-of-state service is counted for every two years of state service; and

- time spent by a member who served as a member of the general assembly for such periods, subject to certain rules.

Tier II credited service. All vesting service is considered credited service. However, any period in which a person is not actually working for the state, but considered vesting service is excluded from credited service.

War service and up to three years of national emergency service can be used for credit under normal, hazardous duty, and early retirements. The time is not vesting time, and cannot exceed 10 years in the aggregate. The member must apply to the commission within one year of the start of state service.

Any period of municipal service as a member of the Municipal Employees Retirement System may be used for credited time, as long as person has at least 10 years of vesting service under Tier II, and has not received a retirement allowance from that system.

Tier I and II average salary. For all retirement formulas, average salary means the average of a person's three highest years earnings. Each year must be 12 consecutive months, but the years themselves need not be consecutive. As a practical matter, most people will use their last three years' salary. There is a 130% cap rule in effect to protect against artificial inflation of a person's last years' pay through use of non-mandatory overtime. The rule requires that the final average salary cannot be more than 130% of the average of the two years previous to the three years selected.

PAYMENT OPTIONS

The actual amount of benefits a person will receive depends not only on his or her tier and plan, service credit amount, and average salary, but also the payment option he or she selects. Election of payment method must be made before retirement benefit payments begin, in writing (on a form). For a married member, if he or she does not indicate otherwise, there is a presumption that Option B, described below, has been selected.

For both tiers, members have four options for how benefits are paid:

Option A "Straight Life Annuity", which provides a maximum benefit to the individual, but all payments stop at the retiree's death;

Option B "50 % Husband and Wife", which provides a reduced benefit for the life of the retiree, and then 50% of that benefit to an optionee for the rest of the optionee's life;

Option C "Contingent Annuitant", which provides a reduced benefit for the life of the retiree; after death, either 50% or 100 % of the benefit goes to the optionee for life; and

Option D "10 Year or Twenty Year Period Certain", which provides a reduced monthly payment for the member's lifetime, with payments guaranteed from the date of retirement to either 10 or 20 years, and if the member dies before all payments are made, the payments go to the optionee.

HEALTH INSURANCE

Upon retirement, members can elect group medical coverage for themselves and their families under a state group medical insurance plan. The state pays for 100% of the premium. Each December. retirees who did not arrange for the coverage will be notified of open enrollment period. Depending on which payment option is chosen, there are different health insurance opportunities for the retiree's survivor. The state will also reimburse the retiree and/or spouse for 100 % of Medicare Part B premiums, starting at age 65.

OTHER AREAS

The State Employees Retirement System also provides for pre-retirement survivor benefits, life insurance for retirees, and cost-of-living adjustments. The system addresses the effect of reemployment with the state on retirement benefits, and what happens when a person leaves state service before retirement.

STATE EMPLOYEES RETIREMENT SYSTEM BENEFIT FORMULAS

NORMAL

Tier I Plan B (until age 65)
(.02) **X** years of service **X** average salary

Tier I Plan B (beginning at age 65)
(.01) **X** years of service **X** $4,800
PLUS
(.02) **X** years of service **X** average salary over $4,800

Tier I Plan A or C
(.02) **X** years of service **X** average salary

Tier II Plan B
[(.0133) X average salary
PLUS
(.005) X avg. salary in excess of year's breakpoint]
TIMES
years of credited service

AGE 70

Tier I Plan B
(.0125) X years of service, up to 20 maximum X $4,800
PLUS
(.025) X years of service, up to 20 maximum X average salry over $4,800

Tier I Plan A or C
(.025) X years of service, up to 20 maximum X avg. salary

Tier II (same as normal)
[(.0133) X average salary
PLUS
(.005) X avg. salary in excess of year's breakpoint]
TIMES
years of credited service

HAZARDOUS DUTY

Both Tiers Not Plan B

(.50)(for 20 years hazardous duty service X avg. salary

PLUS

(.02) X all service over 20 years(all service, inc. nonhazard.) X avg. salary

Both Tiers Formerly in Plan B
(State Police)

$4 X all credited service prior to 7/1/88 X 12

Both Tiers Formerly in Plan B
(all other HD members)

(.0125) X HD service rendered prior to 7/1/88 (to a maximum of 20 years)

PLUS

(.01) X all addtl.service rendered prior to 7/1/88 (including all credited service)

TIMES

$4,800

DISABILITY

Tier I non-job related and 5 years*

The lesser of

(.03) X years of service at disability X avg. salary

OR

(.01667) X years of service as if you had kept working to age 65 X avg. salary

Tier 1 job related*

(.0167) X years of service as if you had kept working to age 65 (up to a maximum of 30 years) X avg. salary or your annual rate of salary prior to disability, if greater

(If eligible for job related disability and have at least 5 years of service, and date of injury was on or after 10/1/82, benefit will be paid under non-job related formula, if higher benefit is produced)

Tier II job or non-job related*

(.0133 X avg. salary PLUS (.005) X avg. salary in excess of the year's breakpoint TIMES years of service if you had kept working to age 65 (to a maximum of 30) OR actual years of credited service as of your disability (whichever is greater)

* reduced by certain other income

EARLY

Tier I Plan B (until age 65)
(reduced factor) X years of service X average salary

Tier 1 Plan B (beginning at age 65)
(1/2 of reduced factor) X years of service X 4,800
PLUS
(reduced factor) X years of service X avg. salary over $4,800

Tier 1 Plan A or C
(reduced factor) X years of service X average salary

Tier II Plan B
(on or before 6/1/91)
[(.0133) X average salary
PLUS
(.005) X avg. salary in excess of year's breakpoint]
TIMES
years of credited service
REDUCED
by (.005) for each month before 65th birthday

(6/2/91 through 6/1/92)
Above formula reduced by (.0025) for each month before 65th birthday

(on or after 7/1/92)
Above formula reduced by (.0025) for each month before 60th birthday if you have at least 25 years vesting service, or before 62nd birthday if have at least 10 but less than 25 years

Source: Connecticut State Employees Retirement System Tier I and Tier II Summary Plan Descriptions (May 1990)

APPENDIX B

STATE EMPLOYEES RETIREMENT COMMISSION MEMBERSHIP AS OF DECEMBER 1990

NAME	TRUSTEE AFFILIATION	PLACE OF EMPLOYMENT	TERM EXPIRATION
Peter Blum	Neutral	Chairman	6/30/92
Edward Archibald	Management	Deputy Comm., Dept. of Transp.	6/30/91
Dominic Badolato	Union	Executive Director Council 4, AFSCME	7/1/90
Leonard Barbieri	Management	Deputy Comm., Dept. of Correct.	7/1/91
Lawrence Cacciola	Management	Deputy Comptroller	6/30/91
Leo Canty	Union	Exec. V.P., CSFT	7/1/91
Charles Casella	Union	Dept. of Transp.	7/1/91
Robert Coffey	Management	Dir., Human Res., Judicial Dept.	6/30/91
A. Bates Lyons	Management	Dir. of Personnel State Tech. Coll.	6/30/91
Edward Marth	Union	Executive Dir., UCONN-AAUP	6/30/91
William Morico	Union	Administ., 1199 N.E. Welfare Fund	7/1/91
Steven Perruccio	Union	President, Ct. Emp. Union "Ind."	7/1/91
Claude Poulin	Union	Actuarial	6/30/91
Thomas Wills	Management	Actuarial	6/30/91
Linda Yelmini	Management	Asst. Chief, DAS	6/30/90

APPENDIX C

EARLY RETIREMENT INCENTIVE PROGRAM

Public Act 89-323 provided for a supplemental retirement benefit for SERS members to encourage early retirement as a way to reduce state payroll costs. To be eligible, a SERS member:

- had to be in active state service or receiving workers compensation; and
- had ten or more years of state service; and
- was eligible to retire on or before July 1, 1989; or
- was eligible for a disability retirement on or before July 1, 1989; and
- submitted a written application for retirement to the retirement division on or after June 1, 1989, but before October 1, 1989.

The amount of the supplemental benefit was equal to two percent of a member's annual base rate of pay as of June 29, 1989, multiplied by the number of completed years of credited state service (minus accrued vacation time). A cap of $21,600 was placed on the benefit. The supplemental benefit was to be paid in 36 equal installments, beginning with the month of the effective date of the retirement.

APPENDIX D

SURVEY: RETIREMENT SYSTEMS OF OTHER STATES

The Legislative Program Review and Investigations Committee surveyed nine states to gain an understanding of how their respective retirement systems operated and make comparisons to Connecticut's system. The states were chosen primarily by the number of current and retired members in the systems, in addition to other factors. The committee wanted to ensure that each state surveyed was similar in membership size to Connecticut.

The survey consisted of several categories of questions including system organization/administration, retirement information automation, pre-retirement counseling and other services provided to members, and workload and staffing information. Benefits and benefit calculation was not discussed with any of the states surveyed. Below is a brief overview of the survey findings.

Regarding organization and administration, the survey revealed that in each of the nine other states, a board or commission is involved in some capacity with the operation of that particular state's retirement system, similar to Connecticut. However, representation on the board or commission and the number of representatives differs between states. For example, some state retirement boards or commissions have members who are retired from state service while others do not.

The survey also found that different administrative schemes exist between the entity responsible for the daily administration of the system and the entity responsible for oversight of the system, namely a retirement board or commission. For example, in Connecticut, the Retirement Division is accountable for the day-to-day operation of the retirement system and is located within the comptroller's office from which the division receives its budget resources. The comptroller, however, does not have statutory authority to administer a retirement system.

Meanwhile, the State Employee Retirement Commission, which has statutory responsibility for the operation of the system, and is a distinct public agency, is actually part of the division for administrative purposes only and does not control the division's resources. Similar administrative designs whereby the overseeing board or commission is responsible for the administration of the retirement system were found in some of the other states surveyed while different schemes were present as well.

As outlined in the body of the report, the public employee retirement system in Connecticut is severely hampered due to a lack of automated information necessary to process retirement applications in an expeditious manner. This in not the case in any of the other states surveyed.

In each state polled but two, retirement information exists in an automated and easily accessible form. The other two states, however, are in the process of completing work on automating retirement information. Furthermore, of the states having automated data base systems, the data bases have been in place and operational for several years.

One of the primary advantages of having an automated collection and retrieval system for retirement information is that applications can be processed quickly and retirement benefits can be finalized shortly after someone retires. As described in the report, due to a backlog in processing retirement applications and the lack of an automated data base, it now takes the Retirement Division almost three years before members of the state's retirement system receive final benefits.

This is not the case in the any of the other states surveyed. In fact, the amount of time it takes retirees to get a final benefit check ranged between one to three months following the date of retirement -- nowhere near the time it takes Connecticut to process final benefits. The other states credit the short turnaround time in part to the automation of retirement information. Also, no other state reported that a backlog in processing retirement applications exists.

In addition to processing retirement applications and calculating benefits, each of the states surveyed provide some sort of pre-retirement counseling. Although each state provides counseling at a central location, similar to Connecticut, four of the larger states also have counselors who travel throughout the state to provide counseling services for retirement system members. None of the states mentioned that pre-retirement counseling was strictly a responsibility of the employing agency.

Lastly, eight of the nine states surveyed provide their retirement system members with some sort of benefit statements on an annual basis as does Connecticut. However, the types of information contained on the statements vary somewhat between states. For example, although all of the states reported that their benefit statements contain contribution and accrued interest information, not all of them provide beneficiary or service credit information nor do they all generate a benefit calculation.

APPENDIX E

STATE AGENCY RETIREMENT SURVEY

The information contained in the following survey represents compiled agency responses. Note: In the first two survey tables, for any given agency completing the survey, the time estimates were to add up to 100 percent. However, because the choices available to agency employees are in reality mutually exclusive, the aggregate responses add up to over 100 percent.

LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE
STATE AGENCY RETIREMENT SURVEY

THIS SURVEY IS TO BE FILLED OUT BY THE PERSON WITHIN THIS AGENCY PRIMARILY RESPONSIBLE FOR PERFORMING RETIREMENT-RELATED FUNCTIONS. IF THERE ARE ANY QUESTIONS ABOUT THE SURVEY, PLEASE CALL EITHER CARRIE VIBERT OR BRIAN BEISEL AT 240-0300. **PLEASE RETURN THE SURVEY IN THE ENCLOSED ENVELOPE TO THE PROGRAM REVIEW COMMITTEE BY JULY 24, 1990.**

1. Please fill in the following information:

a) Name: ______________________

b) Job Title: **Over 22 different titles** Telephone # __________

c) Number of years working on retirement matters: **8 (Average)**

d) In the table below, indicate whether or not you provide the listed function and give the percentage of time you spend performing each function in relation to your overall duties.

FUNCTION	PROVIDED (YES/NO)	% OF TIME SPENT ON FUNCTION
1) Counsel employees on retirement issues prior to retirement	**43 Y** **9 N**	**7%**
2) Prepare, or assist in preparing, retirement application	**51 Y** **1 N**	**6%**
3) Responsible for other retirement-related matters	**51 Y** **1 N**	**5%**
4) Responsible for other personnel matters	**42 Y** **10 N**	**46%**
5) Responsible for other payroll matters	**40 Y** **11 N**	**30%**
6) Others (please specify)	**27 Y** **25 N**	**44%**

3. If there is another person at your agency who also performs retirement-related functions, please complete the following table for that person. (Table continues on next page)

FUNCTION	PROVIDED (YES/NO)	% OF TIME SPENT ON FUNCTION
1) Counsels employees on retirement issues prior to retirement	**18 Y** **17 N**	**6%**
2) Prepares, or assists in preparing, retirement application	**29 Y** **6 N**	**5%**

3) Responsible for other retirement-related matters	**29 Y** **6 N**	**4%**
4) Responsible for other personnel matters	**23 Y** **11 N**	**36%**
5) Responsible for other payroll matters	**26 Y** **9 N**	**48%**
6) Others (please specify)	**17 Y** **17 N**	**52%**

4. Check the statement that accurately reflects the practice at your agency:

a. My agency provides pre-retirement counseling to its employees 34 (67%)

b. My agency does not provide pre-retirement counseling to its employees, and refers employees to the Retirement Division **18 (36%)**

c. My agency does not provide pre-retirement counseling to its employees, and does not refer employees to the Retirement Division 0

ANSWER QUESTIONS 5 - 7 IF YOUR AGENCY PROVIDES PRE-RETIREMENT COUNSELING. IF NOT, SKIP TO QUESTION 8.

5. In the table below, please indicate whether or not your agency provides pre-retirement counseling to employees on the topics listed. ("Referred" means referred to Retirement Division)

COUNSELING TOPICS	PROVIDED (YES/NO)	REFERRED
1) Determining retirement eligibility	**32 Y**	**7 Y + R**
2) Calculating estimated benefits	**27 Y**	**6 Y + R** **6 R**
3) Describing payment options	**31 Y**	**5 Y + R**
4) Calculating payments for each option	**23 Y**	**6 Y + R** **10 R**
5) Describing insurance benefits	**30 Y**	**5 Y + R** **4 R**
6) Purchasing service credits	**28 Y**	**5 Y + R** **5 R**
7) (Please list any other areas)	**10 Y**	**2 Y + R** **3 R**

6. Please indicate whether or not you obtain any of the information listed below **in order to provide pre-retirement counseling to your agency employees**. Also please indicate the specific source(s) of the information. (For example, CO-931 forms, CEIS, etc)

EMPLOYEE INFORMATION	OBTAIN (YES/NO)	SOURCE(S)
1) Employee's plan membership and personal information	YES	VARIOUS
2) Highest 3 years salary	YES	VARIOUS
3) Service credit (not purchased)	YES	VARIOUS
4) Purchased service	YES	VARIOUS
5) Leaves of absence w/o pay	YES	VARIOUS
6) Accrued vacation/ longevity	YES	VARIOUS
7) Others:	YES	VARIOUS

7. On average, how many hours do you spend preparing for counseling and actually counseling an individual employee prior to retirement?

__2.6__ hours of preparation __1.3__ hours of counseling

8. Please indicate whether or not you obtain any of the types of information listed below **to prepare a retirement application**. Also please specify the source(s) of the information. (For example, CO 931 forms, CEIS, etc.)

EMPLOYEE INFORMATION	OBTAIN (YES/NO)	SOURCE(S)
1) Employee's plan membership and personal information	**YES**	**VARIOUS**
2) Highest 3 years salary	**YES**	**VARIOUS**
3) Service credit (not purchased)	**YES**	**VARIOUS**
4) Purchased service	**YES**	**VARIOUS**
5) Leaves of absence w/o pay	**YES**	**VARIOUS**
6) Accrued vacation/ longevity	**YES**	**VARIOUS**
7) Others:	**YES**	**VARIOUS**

9. Which unit in your agency is responsible for submitting the COP-6 Summary to the Retirement Division and how often is it submitted?

24 agencies submit every pay period; 15 submit intermittently or did not say how often; 11 agencies do not submit (some provide information in other format, ie., tape--others do not submit anything)

10. How are your agency employees notified about changes in the retirement system or its policies?

a) Directly by Retirement Division **26 (50 %)**

b) Retirement Division through the agency **49 (94%)**

c) Other (please specify) **21 (40%)**

11. Please indicate whether or not you have received general retirement information (not related to a specific individual) from any of the listed sources in the last two years. Also, please rate the usefulness of the information using the following scale: (answers to this question will remain anonymous)

Most Useful		Somewhat Useful		Not Useful
5	4	3	2	1

SOURCE	RECEIVED (YES/NO)	RATING
1) Retirement Division formal presentations (e.g. seminars, workshops)	**48 Y** **4 N**	**5 - 20 (39%)** **4 - 19 (37%)** **3 - 6 (11.5%)** **2 - 1 (2%)** **1 - 1 (2%)**
2) Retirement Division written material	**52 Y**	**5 - 20 (39%)** **4 - 21 (40%)** **3 - 10 (19%)** **2 - 1 (2 %)**
3) Retirement Division responses to your individual questions (e.g. phone calls)	**52 Y**	**5 - 37 (71%)** **4 - 14 (27%)** **3 - 1 (2%)**
4) DAS	**27 Y** **25 N**	**5 - 7 (14%)** **4 - 6 (12%)** **3 - 11 (21%)** **2 - 2 (4 %)** **1 - 1 (2%)**
5) Your agency	**24 Y** **28 N**	**5 - 13 (25%)** **4 - 7 (14%)** **3 - 3 (6%)** **2 - 1 (2%)**
6) Other(s) (please specify)	**10 Y** **42 N**	

12. Please indicate the number of employees in your agency who retired from state service during:

FY 87 **19** FY 88 **21** FY 89 **37** FY 90 **32**

13. In your opinion, what problems exist with the State Employees Retirement System, or any other system administered by the Retirement Division with which you are familiar? (for example, problems you have encountered or that employees or retirees have informed you about) In what ways do you think the system(s) could be improved?

(ANSWERS TO THIS QUESTION WILL REMAIN ANONYMOUS)

Comment Highlights

1. Employees must wait too long for counseling appointment; not enough counselors

2. Agency personnel need more training

3. Agency personnel need written manual on retirement matters to assure uniformity of information

4. Need one central automated personnel/payroll database, with agency access

5. Application finalization takes too long

6. Health insurance area is confusing

THANK YOU FOR COMPLETING THIS SURVEY.

APPENDIX F

AGENCY RESPONSE

The Office of the Comptroller did not submit a response.