2022 RETIREMENT CHANGES

Frequently Asked Questions

Prepared by the Office of the State Comptroller's Retirement Services Division

1. What is going to happen in 2022?

The collective bargaining agreements known as "SEBAC 2011" and "SEBAC 2017" made certain changes to the rules that govern retirements under the State Employees Retirement System ("SERS"). These rule changes go into effect in 2022, and this document will call them the "2022 Changes."

The 2022 Changes fall into three categories:

a. ***Retiree Health Care:*** Changes to the monthly premium deductions associated with retiree health insurance and income related Medicare Parts B & D reimbursements.

b. ***Cost-of-Living Adjustments:*** Changes to the cost-of-living adjustments made to retirees' pensions.

c. ***Normal Retirement Age:*** Changes to the "Normal Retirement Age" for members of Tiers II and IIA.

2. When, exactly, do the 2022 Changes go into effect?

In thinking about the 2022 Changes, it is important to keep two dates in mind.

a. The rule changes go into effect on ***July 1, 2022***.

b. These rule changes will apply to employees who retire on or after ***August 1, 2022***.

3. Why are there two different dates?

- Because SERS members must retire on the first day of a month that occurs after the termination of their employment, all members who retire on or before July 1, 2022, will have terminated employment before the rules go into effect. The earliest retirement date for members who terminate their employment after the rules go into effect will be August 1, 2022.
- To resolve conflicts among the multiple changes and effective dates contained in the SEBAC 2011 and SEBAC 2017 agreements, the chief negotiators for the Office of Labor Relations and SEBAC have reached the following agreement: **The 2022 Changes *will not apply* to any individual who retires on or before July 1, 2022.**
- If you are still working for the state on July 1, 2022; or if you have stopped working for the state, but you have not yet retired by July 1, 2022; then, in either case, ***at least some*** of the 2022 Changes will apply to you. To find out which changes will apply to you, read the following questions and answers.

4. Will the 2022 Changes affect everyone who retires on or after August 1, 2022?

Not necessarily. Each one of the 2022 Changes is explained below, and those discussions explain which members each change will and will not affect.

5. How will the 2022 Changes affect retiree health insurance?

There will be two changes affecting retiree health: (i) Changes to health insurance premium deductions and (ii) changes to income related Medicare Parts B and D premium reimbursement.

a. Medical Premiums: Retirees are currently responsible for paying a small portion of the premium for their non-Medicare retiree medical and prescription coverage. For hazardous duty retirees and retirees with 25 or more years of service the premium deduction rates currently range from 0% - 1.5% of the total cost of medical and prescription coverage. For non-hazardous duty retirees and those with fewer than 25 years of service, the premium deductions rates currently range from 1.5% - 3% of the total cost of medical and prescription coverage. For members who retire on or after August 1, 2022, these premium deduction rates will increase to: 3% for hazardous duty retirees and to 5% for all other retirees.

- The effect of these changes is temporary: Once eligible for and enrolled in Medicare (either at age 65 or sooner if eligible for Social Security Disability Insurance) enrollees are transitioned to our Medicare Advantage Plan (MAPD). There is no premium deduction for any enrollment in this plan.
- Not everyone is affected: Members who are eligible for Medicare at the time of their retirement will enroll in the MAPD plan and will have no deductions for their medical and prescription coverage.

- How much will it cost? Premium deductions differ depending on the benefit plan elected and the number of individuals enrolled on coverage. Looking at the deduction rates as of July 1, 2021, current deduction values range from $0 to $101.14 per month. With the updated deduction rules the deductions rates would range from $32.70 to $168.58 per month.

b. ***Medicare Reimbursement:*** When an enrolled member of retiree health coverage becomes eligible for Medicare, they must enroll in Medicare Parts A and B. Their health coverage will then transition to our MAPD plan. The Center for Medicare Services (CMS) assigns a standard premium value each year for Part B coverage and for high earning individuals with a gross taxable income over a certain value CMS also charges a monthly Income Related Monthly Adjustment Amount (IRMAA) for Part B and Part D coverage. By supplying proof of enrollment and validation of the rate being charged by CMS for their monthly Part B and/or D premium, the state currently reimburses retirees the total value for all Medicare premiums. These reimbursements include both the standard cost of Medicare Part B and any monthly IRMAA Part B and D values. For members who retire on or after August 1, 2022, the state will continue to reimburse 100% of the standard cost of Medicare Parts B and D, but it will reimburse only 50% of the Part B and D IRMAA.

- Not everyone is affected: The Income Related Monthly Adjustment Amount (IRMAA) is only charged by CMS to high earners on the basis of the modified adjusted gross income that a taxpayer reported two years prior. In 2021, the IRMAA is being charged to individuals who reported modified adjusted gross income for 2019 of $88,000 or more, and to couples whose modified adjusted gross income for 2019 was $176,000 or more.

- How much will it cost? CMS reviews each individual's gross taxable income from two years prior to determine whether or not an IRMAA would apply and at what value. For 2021, IRMAA rates in addition to the standard Part B premium currently range from $71.70 to $433.50 per month. Using the current rates, with the updated rules, the unreimbursed portion of the IRMAA would range from $35.85 to $216.75 per month. The state will continue to reimburse the remainder of a member's full Medicare Parts B and D premiums.

6. How will the 2022 Changes affect cost-of-living adjustments?

The retirement income of all SERS members is increased by a cost-of-living adjustment, which is known as a "COLA," every year. The 2022 Changes will alter the rules governing those COLAs in two ways: (i) Retirees will wait longer before receiving their first COLA, and (ii) retirees will no longer be guaranteed a minimum COLA in years for which the rate of inflation is less than 2%.

a. ***Waiting for the first COLA:*** Under current rules, a retired member of SERS becomes eligible to receive his or her first COLA between nine to fourteen months after retiring. (The exact number depends on the month when the member retired.) A SERS member who retires on or after August 1, 2022, will receive his or her first COLA thirty months after the date on which the member retires (this document will refer to that date as the member's "30-Month Date"), regardless of the month in which the retirement began.

- Does this rule affect any other COLAs? No. After the first COLA, retirees will receive a COLA once a year for every year in which there is measurable inflation.

- Extra COLA for high inflation: Under SERS rules, the amount of a retiree's COLAs is based on a federal measure of inflation known as the "CPI-W." If a member retires on or after August 1, 2022, and if the CPI-W is higher than 5.5% per year over the first 18 months of the member's retirement, then the member will receive two COLAs on his or her 30-Month Date. The extra COLA will be calculated on the basis of that 18-month period of high inflation.
- This one affects everybody: The changes to the timing and determination of the amount of any annual COLA apply to every member of SERS who retires on or after August 1, 2022.

b. ***Ending the Guaranteed Minimum:*** The amount of the annual COLA paid to SERS retirees is calculated under a formula that incorporates a portion of the national inflation rate, as measured by the CPI-W. Currently, retirees are guaranteed a minimum COLA of 2%, even in years when inflation is less than that amount. For SERS members who retire on or after August 1, 2022, the amount of the annual COLA for years in which the CPI-W is between zero and 2% will be less than that 2% minimum; it will be equal to the CPI-W.

- You still get a COLA: Members who retire on or after August 1, 2022, will still receive a COLA for every year in which there is any inflation. When inflation is less than 2%, the COLA will be less than it would be under current rules.
- The other COLA rules still apply: For any year in which the CPI-W is higher than 2%, the new rule will make no difference to the amount of a member's COLA.
- This one affects everybody, too: This change applies to every member of SERS who retires on or after August 1, 2022.

7. How will the COLA changes affect my retirement? It is impossible to say.

a. The delay of the first COLA will mean that retirees on or after August 1, 2022, might receive either one or two fewer COLAs over the course of an average retirement than they would have received if they had retired earlier. It is also possible that the member will receive no fewer COLAs if, as a result of high inflation, the member receives an additional COLA at his or her 30-Month Date.

b. It is also impossible to know how eliminating the guaranteed minimum will affect a member's retirement for another reason: because it is impossible to know what future inflation rates will be.

c. Even if a member who retires after August 1, 2022, receives fewer or smaller COLAs, the total amount that the member will have received from the state when his or her retirement ends might not be less than it would have been if the member had retired sooner.

- The member's salary while actively employed is likely to be significantly larger than his or her pension. By collecting that salary for a longer time, the member may offset some of the reduction to his or her pension that will result from the changed COLA rules.

8. Who needs to think about the change to "Normal Retirement Age"?

a. The changes to "Normal Retirement Age" will affect only certain members of Tiers II and IIA. The following SERS members do not need to consider these changes:

- Members of Tiers I, III, and IV.
- Hazardous Duty retirees of any Tier.
- Disability retirees of any Tier.
- Members of Tiers II and IIA who will reach age 62 before July 1, 2022.
- Members of Tiers II and IIA who will both (i) reach age 60 and (ii) complete 25 years of vested service before July 1, 2022.
- Members of Tiers II and IIA who have "grandfathered" out of the change, by purchasing the right to have the current age rules apply to them.

b. The new rules will affect all members of Tier II or Tier IIA who do not fall within any of those. But members who are not eligible to retire before August 1, 2022, cannot avoid having the new rules applied to them.

9. How will the 2022 Changes affect "Normal Retirement Age" in Tiers II and IIA?

a. What does "Normal Retirement Age" mean?

The term "Normal Retirement Age" refers to an age limit that is used to distinguish "Normal Retirement" from "Early Retirement."

- A member has a "Normal Retirement" if he or she (i) satisfies the service requirements that make the member eligible for a retirement pension and (ii) elects to begin receiving that pension at "Normal Retirement Age."
- A member of Tiers II or IIA has an "Early Retirement" if he or she (i) satisfies the service requirements for a retirement pension and (ii) elects to begin receiving that pension after reaching the age of 55, but before reaching Normal Retirement Age.

b. What is "Normal Retirement Age" for Tiers II and IIA?

In Tiers II and IIA, "Normal Retirement Age" is 62 for most members, except that it is 60 for members with 25 or more years of vesting service.

c. How will the "Normal Retirement Age" change?

For members of Tiers II and IIA who retire on or after August 1, 2022, "Normal Retirement Age" will be 65 for most members, and 63 for members with 25 or more years of vesting service.

d. How does the change affect a retiree's pension? A change in Normal Retirement Age can affect the amount of a retired member's pension.

- Under a Normal Retirement, the monthly pension that is payable to a member of Tier II or IIA is calculated under a formula (which this document will call the "Normal Retirement Formula") that takes account of the member's years of credited service and pre-retirement compensation.
- Under an Early Retirement, the member's pension is calculated by (i) applying the Normal Retirement Formula, and then (ii) reducing whatever amount that formula produces.
  - The amount of the reduction is a multiple of the number of months between (i) the member's date of retirement and (ii) the date on which the member will reach Normal Retirement Age. (This document will refer to that number of months as the number of "Early Retirement Months").
- An increase to the Normal Retirement Age potentially increases the number of Early Retirement Months for a retiring member. This means a larger reduction of the member's pension—in other words, a potentially smaller pension.
  - How much of a reduction? Special rules make this a complex calculation. To find out how the reduction will affect pensions under the new Normal Retirement Age, you should consult the Estimator on the website of the Retirement Service Division ("RSD"). (The Estimator is at https://www.osc.ct.gov/empret/tier2summ/workshop/disclaimer.htm.) Employees of agencies with access to the RSD's CORE-CT Benefit Calculator can also use that Calculator.

e. How else does the new Normal Retirement Age affect retirees?

Employees who choose an Early Retirement must pay different premium for their retiree healthcare insurance than members who retire at Normal Retirement Age. The specific percentage to be paid depends on two factors: (i) how many years and months of service the member has completed and (ii) how many years and months until the member reaches Normal Retirement Age; and the monthly deduction value is never more than 25% of an individual's monthly pension. When the Normal Retirement Age increases, by increasing the number of the months between a member's Early Retirement date and Normal Retirement Age it may increase the amount of time an individual may have to pay their Early Retiree premium value, as well as their percentage of premium they must pay.

- This effect is temporary: Employees stop paying early retiree premiums when they reach Normal Retirement Age.

f. Will the new Normal Retirement Age always result in smaller pension benefit?

No. The effect of the change to Normal Retirement Age depends on several different factors, including (i) the member's age at the time of retirement; (ii) the member's years of credited service; (iii) the date on which the member plans to retire; and (iv) the member's salary.

- If a member retires on or after August 1, 2022, rather than on an earlier date, the delay might result in the member's having a greater number of Early Retirement Months—and, therefore, a larger reduction to the pension amount that is calculated under the Normal Retirement Formula. (Whether there is such a reduction will depend on how much longer the member decides to work.) But the member will also have completed more years of credited service, so the amount the formula produces will be larger than it would have been had the member retired earlier.

- Even if retirement after August 1, 2022, results in a smaller pension, the total amount that the member will have received from the state when his or her retirement ends (including both the member's retirement benefits and the salary the member earned while actively employed) might not be less than it would have been if the member had retired sooner.

    - The member's salary is likely to be significantly larger than his or her pension. By collecting that salary for a longer time, the member may offset some of the reduction to his or her pension.

    - The ultimate result will depend on how long the retirement lasts, which cannot be known in advance.

10. Is it too late to "grandfather" out of the change to Normal Retirement Age?

Yes. All members of Tiers II and IIA were given a one-time opportunity to select the "grandfathering" option. But the selection had to be made by July 1, 2013.

This deadline had a few, narrow exceptions, involving members of Tier II or IIA who were not in a position to choose the grandfathering option at the time it was available. Most of the situations to which the exceptions applied can no longer arise. Unless you (i) were a Hazardous Duty member in 2013, (ii) have completed less than twenty years of Hazardous Duty service, and (iii) transferred to a non-Hazardous Duty position within the last 30 days, you may not elect to "grandfather" now.

a. If I grandfathered my Normal Retirement Age, do I have to retire after July 1, 2022?

   No. You can retire any time you want. You can also terminate your state employment and defer your retirement until later. Whenever you do retire, your pension will be calculated under the rules for Normal Retirement Age that apply now.

b. If I grandfathered my Normal Retirement Age, and if I choose to retire before July 1, 2022, can I get a refund of the extra contributions I made to grandfather?

   No. Every member who elected the grandfathering option signed a Form CO-1094, which included the following statement:

   By completing and signing this form, I further acknowledge that should I leave after I become vested but prior to 2022, I will forfeit my additional contributions.

   The only members who may receive a refund of their additional contributions are members who leave state employment without vesting—i.e., without becoming eligible to retire.

c. If I grandfathered my Normal Retirement Age, will the other 2022 rule changes still apply to me?

Yes. "Grandfathering" gives you an exemption from the change to Normal Retirement Age for Tiers II and IIA. It does not provide any other rights. If you retire on or after August 1, 2022, you will still be subject to the new rules regarding COLAs and healthcare insurance costs.

11. If I will reach Normal Retirement Age before July 1, 2022, does it matter if I didn't purchase the right to grandfather?

No. If you are a member of Tier II or Tier IIA; and if you will either (i) reach age 62 before July 1, 2022 and complete at least 10 years of vesting service, or (ii) reach age 60 and complete 25 years of vesting service before July 1, 2022; then there was no need for you to grandfather. The new Normal Retirement Age that goes into effect on July 1, 2022, will not apply to you. Also, if you are not a member of Tier II or IIA, then your Normal Retirement Age will not change.

12. What else should I think about when planning my retirement?

Employees who want to decide when to retire must also take other facts into account.

- Other sources of income: If the employee expects to have income in addition to their pension—and especially if the employee expects to earn a salary from non-state employment—then the relative benefits of retiring earlier or later will change.
- How do I want to spend the next few years?
- How long do I want to work?
- Where do I want to live?
- What obligations do I have?

13. Can I find out what my pension will be based on different retirement dates?

Yes and no.

- RSD has several tools to assist you in your retirement planning, including retirement calculators, workshops, and informational video presentations. You can find out more about these tools at https://www.osc.ct.gov/rbsd/stateretire.htm.
- Members of Tiers II and IIA can use the Estimator and/or the Benefit Calculator to estimate the effect of the changes to Normal Retirement Age on the amount of their pensions, based on different dates of retirement.

- Current retiree health insurance premiums may be found on the state's Care Compass retiree health website: https://carecompass.ct.gov/retirees. Information related to monthly Medicare premiums and monthly IRMAA rates may be found on the CMS website: https://www.medicare.gov/your-medicare-costs/medicare-costs-at-a-glance
- The effect of changes to the COLA rules will depend on future rates of inflation, which cannot be determined in advance.

The determination of whether any one employee will gain a financial benefit by retiring on or before July 1, 2022 will depend on many variables, some of which cannot be predicted. Furthermore, this office does not employ financial advisers. For these reasons, this office is unable to advise prospective retirees which potential retirement scenario will be the most advantageous.

Questions or suggestions regarding the information provided herein may be sent to the Retirement Services Division by email, at osc.rsd@ct.gov.