

**STATE EMPLOYEES  
RETIREMENT COMMISSION**

**MEDICAL EXAMINING BOARD  
For DISABILITY RETIREMENT**



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**STATE OF CONNECTICUT  
RETIREMENT SERVICES DIVISION  
OFFICE OF THE STATE COMPTROLLER**

February 15, 2011

To Employees of Higher Education Institutions:

As most of you are aware, an arbitration award was issued under which certain retirement plan participants who were eligible to choose between the Alternative Retirement Program (ARP), and other State retirement plans will be given a one time opportunity to elect to change plans. This award only applies to individuals currently employed by higher education institutions. The award also includes a provision allowing those ARP employees who switch to the State Employees Retirement System (SERS) to purchase retroactive credit in SERS. The award has been extended to nonrepresented individuals currently employed by higher education institutions.

Private Counsel has advised the State Employees Retirement Commission (Commission) that it would be imprudent to proceed with the implementation of the award without receiving a Private Letter Ruling from the Internal Revenue Service (IRS). Without the approval of the IRS, there could be serious adverse tax consequences to the plan and all its participants, not just those who were eligible for the transfer. The Commission directed counsel to contact the IRS immediately to apply for a Ruling as soon as practicable. We have been told that the Private Letter Ruling process is a long one, taking around two years to receive an answer.

As a result of this determination by the Commission, the State and SEBAC have reached an agreement to do the best they can to preserve the opportunities provided by the award despite the implementation delay. Therefore, the implementation dates will be modified so that eligible employees can take advantage of the opportunity, presuming IRS approval. In the interim, employees will remain as participants in their current retirement plan. Also in the interim, the parties have agreed to explore what has occurred in other states that have implemented similar options for plan participants to see if there is any other way to expedite the process.

The parties have also agreed that individuals who retire between the award's original effective date and the date the IRS issues a Private Letter Ruling (presuming approval) are in a special circumstance. They will be allowed to participate in the award after retirement if the IRS determines they are allowed to do so. Some of those individuals may choose to refrain from taking any of their ARP money between the date they retire and the date of the IRS's ruling because that may (although it is presently uncertain) increase the chances that they could participate in the opportunity to switch to SERS after retirement. Given that some individuals may make that choice, the parties have agreed to waive the usual requirement that those ARP participants be receiving periodic payments from their ARP accounts in order to be eligible for retiree health care (assuming they otherwise meet the eligibility requirements). This waiver will remain effective for an appropriate period of time after the IRS ruling is received. If an individual employee wishes to retire, they should consider this as a possibility before they begin receiving any payments from their ARP account. If an individual employee retires and chooses not to begin receiving payments from their ARP account, they should contact their Human Resource Office to handle the issue of health insurance eligibility.

Any questions regarding this memo should be addressed to either your agency Human Resource Office or the Retirement Services Division at 860-702-3508.