

SEBAC ALTERNATE RETIREMENT PROGRAM GRIEVANCE (SAG) AWARD INFORMATION

July 14, 2011

To All:

At the June Retirement Commission meeting, the Robinson and Cole attorney was asked if he thought the IRS would have any object/problem with ARP retirees using any of their ARP funds during the period time between their date of retirement and the date the of the IRS ruling (PLR).

The attorney researched the matter and concluded that there is no discernable IRS prohibition that would prevent a retired member from accessing their ARP funds (see red highlighted paragraph below)!

The Director of the Retirement Division has sent a revised memorandum to all the higher education agency HR personnel informing them of this fact (see below).

Subject: SEBAC Alternate Retirement Program Grievance (SAG) Award Information

The purpose of this email is to provide further clarification to agencies with respect to the administration of the SEBAC Alternate Retirement Program Grievance (SAG) Award and the delay in Award implementation as a result of the State Employees Retirement Commission (Commission) decision to seek a Private Letter Ruling from the IRS.

As you are aware, the State and SEBAC agreed to preserve the opportunities provided by the SEBAC Alternate Retirement Program Grievance (SAG) Award and modify the implementation dates so that eligible employees can take advantage of the opportunity, presuming IRS approval, during the period between the Award's effective date and the date the IRS issues a Private Letter Ruling. The State and SEBAC also agreed on certain interim provisions for employees who retire during this period. Specifically, Alternate Retirement Program (ARP) members will be allowed to participate in the Award after retirement if the IRS determines they are allowed to do so.

In this connection, the Commission has been advised that there is no discernable IRS prohibition that would prevent a retired member from accessing their ARP funds for living expenses during the period between their date of retirement and the date of the IRS ruling and subsequently participating in the Award. However, an ARP who does access their monies will have less funds available for the purchase of SERS Tier II service under the Award.

Again, for ARP members retiring between now and the date a favorable Private Letter Ruling is obtained, the State and SEBAC agreed to waive the requirement that ARP members take out an annuity at retirement to preserve retiree health coverage for a surviving spouse. This waiver will remain in effect for an appropriate period of time after the IRS ruling is received.

In order to protect a surviving spouse's retiree health coverage in the event a retired ARP member should die during this interim period, the surviving spouse must be named as the beneficiary on the ARP account and will be required to annuitize at least \$10,000.

To insure that they retain the opportunity to participate in the options provided under the SAG Award after retirement, retiring ARP members may provide a letter stating their intention to participate in the Award to the Retirement Services Division with their Form CO-898a, "Application for Alternate Retirement Program Retirement Benefits" and Form CO-744, "Choice of Health Services after Retirement". A letter of intent is not a requirement; however, those retirees who have submitted such a letter will be notified by the Division when a PLR is issued by the IRS.

Please remember that employees can now access the revised 2010 SEBAC ARP GRIEVANCE AWARD (SAG AWARD) webpage on the Office of the State Comptroller's website for service cost estimators as well as Frequently Asked Questions and Answers.

Any questions you have concerning this may be addressed to the Retirement Services Division's ARP Coordinator, James Schnell, at 860-702-3508; questions concerning an ARP member's eligibility for state sponsored retiree health coverage should be referred to the Healthcare Policy and Benefits Division's Retirement Health Insurance Unit at 860-702-3533.

Jeanne A. Kopek, Acting Director
Comptroller's Retirement Services Division