**PA 19-124**—sSB 882
*Planning and Development Committee*

**AN ACT CONCERNING THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AND AUTHORIZING BONDING FOR THE CITY OF BRIDGEPORT'S PENSION PLAN A FUND**

**SUMMARY:** This act increases the required employee contribution rate for Connecticut Municipal Employee Retirement System (CMERS) participants by 3 percentage points over six years (0.5% a year from FY 20 to FY 25). (CMERS is a statewide pension system administered by the State Retirement Commission that municipalities can opt into by agreeing to meet certain financial requirements.)

Contributions for employees with salaries subject to the Social Security tax will incrementally increase from their prior rate of 2.25% of pay to 5.25% over this period. Contributions for employees with salaries not subject to the Social Security tax will similarly increase from their prior rate of 5% to 8%. (Not all government employees are subject to the Social Security tax; it often depends upon whether the employees or their union, for those who are unionized, chose to join Social Security in the 1950s and 1960s.)

The act also authorizes Bridgeport to issue up to $125 million in pension deficit funding bonds, plus the issuance costs, to help fund the city’s Pension Plan A Fund (for public safety employees).

EFFECTIVE DATE: Upon passage for the pension deficit bonds and July 1, 2019 for the employee retirement contribution increase.

RETIREMENT CONTRIBUTION INCREASES

The act increases CMERS employee contributions over six fiscal years, as shown in the table below.

**CMERS Contribution Increases Under the Act**

| | ***Prior law*** | ***7/1/19 - 6/30/20*** | ***7/1/20 - 6/30/21*** | ***7/1/21- 6/30/22*** | ***7/1/22- 6/30/23*** | ***7/1/23- 6/30/24*** | ***7/1/24- 6/30/25 and subsequent years*** |
|---|---|---|---|---|---|---|---|
| Pay Subject to Social Security Tax | 2.25% | 2.75% | 3.25% | 3.75% | 4.25% | 4.75% | 5.25% |
| Pay Not Subject to Social Security Tax | 5% | 5.5% | 6% | 6.5% | 7% | 7.5% | 8% |

After FY 25, the increased contribution rates remain fixed for future years.

As under prior law, the act requires municipalities to deduct the contributions and forward them to the retirement commission at least monthly to be credited to the pension fund.

*Effects on Participants*

The effect of the act's changes on a CMERS participant depends on whether the participant pays Social Security tax, and if so, how much of his or her salary is subject to the tax (see BACKGROUND).

For participants not covered by Social Security (and whose salaries are not subject to Social Security tax), the act gradually increases contributions from their prior 5% of pay to 8% in FY 25. For participants covered by Social Security, but earning less than Social Security's taxable income limit (currently $132,900), contributions gradually increase from their prior 2.25% of pay to 5.25% in FY 25. Participants with salaries exceeding the Social Security limit must split their salary between the two contribution rates; one for the portion of their salary subject to Social Security tax, which the act increases from 2.25% to 5.25%, and a second for the portion of their salary above the limit, which the act increases from 5% to 8%.

BRIDGEPORT PENSION BONDS

The act authorizes Bridgeport to issue up to $125 million in pension deficit funding bonds, plus the issuance costs, to help fund its Pension Plan A Fund. The bonds must mature within 25 years of their issuance date. The act's authorization applies regardless of Bridgeport's charter, ordinances, or any state law.

The act exempts Bridgeport from the statutory requirement that a municipality issuing pension deficit bonds must make its first installment payment within 18 months of the bonds' issuance, provided it is due no later than the fiscal year following the bond issuance. Instead, the act requires the first principal payment to be made no later than 10 years after issuance.

The act also exempts the bond issuance from certain statutory requirements concerning the (1) first maturity and amount of any principal or principal and interest installment and (2) last installment payment due no more than 30 years after issuance.

Under the act, Bridgeport must meet the remaining statutory requirements for municipal bond issuances and pension deficit funding bonds. These requirements include submitting to the Office of Policy and Management secretary (1) an actuarial valuation and analysis of the pension fund, (2) documentation that the municipality has adopted an ordinance or a resolution requiring the municipality to appropriate the funds necessary to meet the actuarially required annual contribution, and (3) any other documentation the secretary or state treasurer deem necessary to carry out the pension deficit bond law.

The law also requires other annual appropriations, notifications, and related steps until the bonds are paid off.

## BACKGROUND

### *Social Security*

Social Security, which provides old-age, survivors, and disability insurance programs, limits the amount of earnings subject to taxation for a given year. This limit is revised each year depending upon changes in the national average wage index. For 2019, the limit is $132,900.

Social Security requires employers and employees to each contribute an amount equal to 6.2% of an employee's pay, up to the limit on the earnings subject to taxation.