



# House of Representatives

General Assembly

**File No. 897**

January Session, 2025

Substitute House Bill No. 7276

*House of Representatives, May 12, 2025*

The Committee on Finance, Revenue and Bonding reported through REP. HORN of the 64th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING THE MUNICIPAL EMPLOYEES RETIREMENT SYSTEM.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1       Section 1. (NEW) (*Effective from passage*) (a) As used in this section:
- 2       (1) "Active service" means service with a participating municipality
- 3       for which contributions are required pursuant to subsection (f) of this
- 4       section;
- 5       (2) "Aggregate service" has the same meaning as provided in section
- 6       7-425 of the general statutes;
- 7       (3) "Average annual pay" means the average annual amount of the
- 8       base pay an employee received during the five years of active service in
- 9       which the employee received the highest amount of base pay;
- 10       (4) "Base pay" means the annual salary, wages or earnings of an
- 11       employee, not including overtime pay, payments received pursuant to

12 chapter 568 of the general statutes or payouts for accrued vacation time,  
13 sick leave or compensatory time;

14 (5) "Continuous service" has the same meaning as provided in section  
15 7-425 of the general statutes;

16 (6) "Fund" has the same meaning as provided in section 7-425 of the  
17 general statutes;

18 (7) "Member" means a member of the municipal employees  
19 retirement plan under part II of chapter 113 of the general statutes;

20 (8) "MERS 2.0" means the set of rules applicable to members who first  
21 become eligible for membership on or after the applicable date set forth  
22 in subsection (b) of this section;

23 (9) "Overtime pay" means compensation provided for overtime  
24 above an employee's base pay; and

25 (10) "Public safety employee" means a uniformed member of a  
26 municipality's paid fire department or a regular member of a  
27 municipality's paid police department.

28 (b) The set of rules set forth under this section shall be known as  
29 MERS 2.0, which shall operate as another benefit tier within the  
30 municipal employees retirement plan set forth in part II of chapter 113  
31 of the general statutes.

32 (1) Any municipality not participating in the municipal employees  
33 retirement system may enroll in MERS 2.0 on any date on or after the  
34 later of (A) July 1, 2026, or (B) the date of the expiration of a collective  
35 bargaining agreement that was applicable to such municipality and in  
36 effect on July 1, 2026.

37 (2) For a participating municipality, any member who first becomes  
38 eligible for membership in the municipal employees retirement system  
39 on any date on or after the later of (A) July 1, 2027, or (B) the date of the  
40 expiration of a collective bargaining agreement that was applicable to

41 the member's position and in effect on July 1, 2027, shall be enrolled in  
42 MERS 2.0.

43 (c) The provisions of part II of chapter 113 of the general statutes shall  
44 apply to MERS 2.0 in the same manner and with the same force and  
45 effect as if the provisions of said part had been incorporated in full into  
46 this section and had expressly referred to MERS 2.0, unless excepted  
47 under this section. Where there is a conflict between a provision of said  
48 part and this section, the provisions of this section shall prevail with  
49 respect to MERS 2.0.

50 (d) Any member participating in MERS 2.0 shall be eligible for  
51 retirement and, provided such member has had five years of continuous  
52 service or fifteen years of active aggregate service in a participating  
53 municipality, to receive a retirement allowance upon completing the  
54 following:

55 (1) (A) Thirty years of aggregate service in a participating  
56 municipality, or (B) five years of continuous service and upon attaining  
57 the age of sixty-five years; and

58 (2) For members who are public safety employees, (A) twenty-five  
59 years of aggregate service in a participating municipality, or (B) five  
60 years of continuous service and upon attaining the age of fifty-five  
61 years.

62 (e) Notwithstanding the provisions of subsection (d) of this section,  
63 any member of MERS 2.0, other than a public safety employee, who (1)  
64 is separated from the service of the municipality by which the member  
65 is employed, except for cause, (2) has completed at least five years of  
66 continuous service but fewer than thirty years of aggregate service, and  
67 (3) has not attained the age of sixty-five years, shall have the option of  
68 receiving a retirement allowance at any time on or after attaining the age  
69 of fifty-five years, provided the retirement allowance shall be payable in  
70 such amount as determined by the Connecticut Municipal Employees  
71 Retirement Commission to be the actuarial equivalent of the retirement  
72 allowance that would have been payable except for the election of such

73 option. Retirement allowances under subsection (d) of this section shall  
74 not be subject to the actuarial reduction under this subsection.

75 (f) Each member participating in MERS 2.0 shall contribute to the  
76 fund five per cent of such member's base pay, except that each member  
77 who is a public safety employee shall contribute to the fund eight per  
78 cent of such member's base pay.

79 (g) (1) Except as provided in subsection (e) of this section, after  
80 retirement, in accordance with the provisions of this section, each  
81 member participating in MERS 2.0 shall receive, during such member's  
82 lifetime, a retirement allowance payable in monthly installments equal  
83 to one-twelfth of one and eight-tenths per cent of the member's average  
84 annual pay or, for members who are public safety employees, one-  
85 twelfth of two and two-tenths per cent of such employee's average  
86 annual pay, multiplied by the number of months of such member's  
87 aggregate service.

88 (2) For the purpose of calculating a member's average annual pay, the  
89 member's base pay for a year in which such member held more than one  
90 position or in which the base pay for such member's position changed  
91 shall be the sum of the base pay for all positions held by the member  
92 during such year, except that the base pay for each position shall be  
93 multiplied by the fraction of one year for which the member held such  
94 position.

95 (h) The provisions of the following sections shall apply to members  
96 participating in MERS 2.0, as applicable: (1) Section 7-432 of the general  
97 statutes concerning disability retirement allowances; (2) section 7-433b  
98 of the general statutes concerning survivors' benefits for firemen and  
99 policemen; (3) subsections (b) to (d), inclusive, of section 7-439g of the  
100 general statutes concerning preretirement death benefits; and (4)  
101 subsection (a) and subparagraph (G) of subdivision (1) of subsection (b)  
102 of section 7-439b of the general statutes concerning cost of living  
103 adjustments.

104 Sec. 2. (NEW) (*Effective from passage*) (a) Not later than July 1, 2026,

105 the Connecticut Municipal Employees Retirement Commission shall  
106 create a defined contribution retirement plan to be known as the MERS  
107 defined contribution plan.

108 (b) (1) Each member of the municipal employees retirement system  
109 shall contribute to the fund one-fourth of one per cent of such member's  
110 pay to the MERS defined contribution plan.

111 (2) In addition to the contributions under subdivision (1) of this  
112 subsection, each member participating in MERS 2.0 shall contribute to  
113 the fund five per cent of such member's overtime pay to the MERS  
114 defined contribution plan, except that each member who is a public  
115 safety employee shall contribute to the fund eight per cent of such  
116 member's overtime pay to the MERS defined contribution plan.

117 (3) Payroll deductions for each member of the MERS defined  
118 contribution plan shall be made by the appropriate municipal employer.

119 (4) Each participating municipality shall contribute to the MERS  
120 defined contribution plan an amount equal to the contributions required  
121 under subdivision (2) of subsection (b) of this section from members  
122 participating in MERS 2.0 who are employees of such municipality.

123 (5) The Connecticut Municipal Employees Retirement Commission  
124 shall serve as the administrator of the MERS 2.0 defined contribution  
125 plan. Said commission may (A) make deposits or payments to such plan,  
126 subject to the terms of such plan, and (B) contract with a private  
127 corporation or private institution for the provision of consolidated  
128 billing services and other administrative services for such plan.

129 (6) As used in this section, "fund" has the same meaning as provided  
130 in section 7-425 of the general statutes and "MERS 2.0", "overtime pay"  
131 and "public safety employee" have the same meanings as provided in  
132 section 1 of this act.

133 Sec. 3. (NEW) (*Effective from passage*) (a) The Connecticut Municipal  
134 Employees Retirement Commission may establish and implement an  
135 annuity plan that shall be an alternative to the municipal employees

136 retirement system under part II of chapter 113 of the general statutes,  
 137 provided any such annuity plan is approved with the unanimous vote  
 138 of the trustees set forth in subdivisions (3) and (4) of subsection (b) of  
 139 section 7-448a of the general statutes. No municipality participating in  
 140 the municipal employees retirement system as of the date such plan is  
 141 implemented shall be eligible to participate in such annuity plan. The  
 142 commission shall prescribe the manner in which such annuity plan may  
 143 be adopted by any municipality, as defined in section 7-425 of the  
 144 general statutes, that is not participating in the municipal employees  
 145 retirement system.

146 (b) Any such annuity plan shall provide that a municipality that  
 147 adopts such plan shall have the option to transfer to such plan the  
 148 accounts and assets of any defined contribution retirement plan  
 149 previously adopted by such municipality. Payroll deductions for each  
 150 member of the annuity plan implemented under this section shall be  
 151 made by the appropriate municipal employer.

152 (c) The State Comptroller shall serve as the administrator of the  
 153 annuity plan established under this section. The State Comptroller may  
 154 (1) enter into contractual agreements on behalf of the state with  
 155 members of such plan to defer any portion of such member's  
 156 compensation from the adopting municipality, (2) make deposits or  
 157 payments to such plan, subject to the terms of such plan, and (3) contract  
 158 with a private corporation or private institution for the provision of  
 159 consolidated billing services and other administrative services for such  
 160 plan.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section

**FIN**            *Joint Favorable Subst.*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

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### **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:**

Municipalities	Effect	FY 26 \$	FY 27 \$
Various Municipalities	Potential Savings	None	See Below

### **Explanation**

The bill results in potential savings to municipalities electing to participate in the Municipal Employees Retirement System (MERS), starting in FY 27 the earliest, depending on their enrollment date. Actual impacts are subject to plan demographics and performance. The bill outlines a new tier and benefit option for members that have lower contribution rates than the current system and are designed to reduce volatility in the system's liability.

### **The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to actuarial experience.

**OLR Bill Analysis****sHB 7276****AN ACT CONCERNING THE MUNICIPAL EMPLOYEES RETIREMENT SYSTEM.****SUMMARY**

This bill creates a new benefit tier in the Connecticut Municipal Employees Retirement System (CMERS; see BACKGROUND) named MERS 2.0 and sets its parameters. It generally requires CMERS-participating municipalities to enroll in MERS 2.0 anyone who first becomes eligible for CMERS membership on or after July 1, 2027. However, if the person's position is covered by a collective bargaining agreement that was in effect on July 1, 2027, the municipality must enroll the person when the agreement expires. It allows any nonparticipating municipality to enroll in MERS 2.0 on the later of July 1, 2026, or the expiration date of an applicable collective bargaining agreement that was in effect on July 1, 2026. (The bill does not specify but, presumably, after the municipality enrolls in MERS 2.0 anyone who first becomes eligible in these municipalities must be enrolled in MERS 2.0.)

The bill also requires the Connecticut Municipal Employees Retirement Commission (CMERC; see BACKGROUND), by July 1, 2026, to create and administer a MERS defined contribution retirement plan. It requires all CMERS members to contribute 0.25% of their pay to the plan and MERS 2.0 members to contribute an additional 5% of their overtime pay (for regular employers) or 8% of their overtime pay (for public safety employees). It also requires CMERS-participating municipalities to make matching contributions for the overtime-based contributions of their MERS 2.0 members.

Lastly, the bill authorizes CMERC to set up and implement an annuity plan as an alternative to CMERS for nonparticipating municipalities, subject to certain requirements.



EFFECTIVE DATE: Upon passage

## **MERS 2.0**

### ***Employee Contributions***

Under the bill, MERS 2.0 members must contribute (1) 5% of their base pay (for regular employees) or (2) 8% of their base pay (for public safety employees). An employee's "base pay" includes his or her annual salary, wages, or earnings, but not (1) overtime pay; (2) any workers' compensation payments received; and (3) payouts for accrued vacation time, sick leave, or compensatory time. "Public safety employees" are uniformed members of a municipality's paid fire department or regular members of its paid police department.

### ***Vesting Period and Normal Retirement***

Under the bill, participating MERS 2.0 members are eligible for retirement benefits (i.e. are vested) if they complete five years of continuous service or 15 years of active aggregate service in a participating municipality. "Active service" is service with a participating municipality for which the member made the required contributions to MERS 2.0, as described below. As under existing law, "aggregate service" includes both (1) active service and (2) any other form of service for which the member has purchased credit as allowed under the law. "Continuous service" is generally active service as a member or, under certain conditions, before becoming a member.

Under the bill, regular vested members are generally eligible for full retirement benefits once they (1) have 30 years of aggregate service in a participating municipality or (2) are age 65 and have five years of continuous service. However, vested members who are public safety employees are eligible once they (1) have 25 years of aggregate service in a participating municipality or (2) are age 55 and have five years of continuous service.

### ***Early Retirement***

The bill generally allows MERS 2.0 members, other than public safety employees, who are separated from their employment with the

municipality to elect to receive early retirement benefits on or after reaching age 55 if they (1) have at least five years of continuous service but less than 30 years of aggregate service and (2) have not reached age 65. These employees are not eligible, however, if they were separated from their employment for cause. CMERC must determine the early retirement benefit amount as the actuarial equivalent of the member's full retirement allowance (presumably, reduced to reflect the member's age).

### ***Retirement Benefit Calculation***

Under the bill, a member's monthly retirement benefit is calculated as a percentage of his or her "average annual pay" (i.e. average base pay during his or her five highest-paid years of active service). Specifically, it equals 12 monthly installments of (1) 1.8% of average annual pay for regular members or (2) 2.2% of average annual pay for public safety members, multiplied by the member's months of aggregate service.

The bill also specifies how to calculate a member's average annual pay for any year in which (1) he or she held more than one position or (2) the base pay for his or her position changed. Specifically, the base pay for each position the member held during the year must be multiplied by the fraction of the year for which he or she held the position and then added together.

### ***Applicable CMERS Provisions***

With certain exceptions, the bill subjects MERS 2.0 to existing CMERS requirements in the same way and with the same force and effect as if those requirements had been fully incorporated in the bill. If any provision conflicts, the bill's provisions supersede with respect to MERS 2.0.

Additionally, the bill explicitly applies the following existing CMERS provisions to also cover MERS 2.0 members:

1. eligibility for disability retirement and a disability retirement benefit for qualifying members with at least 10 years of continuous service;

2. survivors' benefits for firefighters and police killed in the line of duty;
3. spousal benefits for employees who die during active employment; and
4. annual cost of living adjustments (COLAs) for retirees, including those for retirements on or after July 1, 2029 (i.e. where the minimum COLA is tied to inflation in years where inflation increases by 2% or less).

## **§ 2 — DEFINED CONTRIBUTION PLAN**

The bill requires CMERC to create a defined contribution retirement plan by July 1, 2026. CMERC must administer the plan and may (1) make deposits or payments to the plan, subject to its terms and (2) contract with a private entity for the plan's consolidated billing or other administrative services.

Under the bill, municipalities must make payroll deductions for each member of the MERS defined contribution plan, as specified under the bill. (The bill further directs members' defined contribution plan contributions to the Connecticut Municipal Employees' Retirement Fund. However, as this fund generally supports the CMERS defined benefit pension plan, and a defined contribution plan generally provides for individual members accounts (e.g., 401Ks or IRAs), it is unclear how the fund could also hold funds for the bill's defined contribution plan.)

## **§ 3 — ANNUITY PLAN**

To establish the annuity plan, the bill requires CMERC's eight appointed trustees who represent either employee or employer interests to unanimously approve it. Once established, CMERC must set the process for nonparticipating municipalities to adopt the plan. Any municipality participating in CMERS on the date the annuity plan is implemented is ineligible to participate.

The plan must give municipalities the option of transferring to it any

previously adopted defined contribution plan's accounts and assets. Municipalities that adopt the plan must make payroll deductions for each member.

The state comptroller must administer the plan and may:

1. enter into contracts on the state's behalf with plan members to defer any portion of the member's compensation from the municipality;
2. make deposits or payments to the plan, subject to its terms; and
3. contract with a private entity for the plan's consolidated billing or other administrative services.

## **BACKGROUND**

### **CMERC**

Established in 2024, CMERC administers MERS and the Policemen and Firemen Survivors' Benefit Fund as the successor to the State Employees Retirement Commission for these purposes. It consists of 13 members: the state treasurer and comptroller, who serve as ex-officio, nonvoting members; eight members appointed by the governor (four who represent labor and four who represent government employers); two members appointed by the comptroller; and a neutral chairperson appointed by the governor.

### **CMERS**

Under existing law, CMERS does not make a distinction between public safety members and general members. All current CMERS members generally:

1. must contribute 5.25% of their total compensation (including overtime) subject to Social Security taxes and 8% of their total compensation not subject to Social Security taxes;
2. become vested after five years of continuous service or 15 years of aggregate service;

3. qualify for full retirement benefits after (a) reaching age 55 with either five years of continuous service or 15 years of aggregate service or (b) 25 years of aggregate service with no minimum age requirement; and
4. have their pension benefit calculated as their years of service, multiplied by their final average salary (the average salary, including overtime, of their three highest-paid years), multiplied by a multiplier that depends on whether the member is covered by Social Security (for covered members the multiplier is 1.5% of salary up to the breakpoint + 2% of salary over the breakpoint; for members not covered by Social Security the multiplier is 2%).

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 52 Nay 0 (04/24/2025)