
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)