



House of Representatives

File No. 978

General Assembly

January Session, 2025

(Reprint of File No. 897)

Substitute House Bill No. 7276
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 29, 2025

**AN ACT CONCERNING THE MUNICIPAL EMPLOYEES RETIREMENT
SYSTEM AND GROUP LIFE INSURANCE FOR RETIRED STATE
EMPLOYEES.**

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 regular pay an employee received during the five years of active service
9 in which the employee received the highest amount of regular pay;
- 10 (4) "Base pay" means the annual salary, wages or earnings of an

11 employee, not including other 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) "Other pay" means overtime pay, bonuses and all other
24 compensation of an employee other than an employee's regular pay;

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; and

28 (11) "Regular pay" means the base pay of an employee, plus other
29 predictable ongoing compensation as determined pursuant to
30 regulations adopted in accordance with chapter 54 of the general
31 statutes by the Connecticut Municipal Employees Retirement
32 Commission, provided overtime pay shall not be included as
33 predictable ongoing compensation.

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

38 (1) Any municipality not participating in the municipal employees
39 retirement system may enroll in MERS 2.0 on any date on or after the

40 later of (A) July 1, 2026, or (B) the date of the expiration of a collective
41 bargaining agreement that was applicable to such municipality and in
42 effect on July 1, 2026. For a municipality that has enrolled in MERS 2.0
43 pursuant to this subdivision, any member who first becomes eligible for
44 membership in the municipal employees retirement system on any date
45 on or after the date of such enrollment shall be enrolled in MERS 2.0.

46 (2) For a participating municipality, any member who first becomes
47 eligible for membership in the municipal employees retirement system
48 on any date on or after the later of (A) July 1, 2027, or (B) the date of the
49 expiration of a collective bargaining agreement that was applicable to
50 the member's position and in effect on July 1, 2027, shall be enrolled in
51 MERS 2.0.

52 (c) The provisions of part II of chapter 113 of the general statutes shall
53 apply to MERS 2.0 in the same manner and with the same force and
54 effect as if the provisions of said part had been incorporated in full into
55 this section and had expressly referred to MERS 2.0, unless excepted
56 under this section. Where there is a conflict between a provision of said
57 part and this section, the provisions of this section shall prevail with
58 respect to MERS 2.0.

59 (d) Any member participating in MERS 2.0 shall be eligible for
60 retirement and, provided such member has had five years of continuous
61 service or fifteen years of active aggregate service in a participating
62 municipality, to receive a retirement allowance upon completing the
63 following:

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

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

71 (e) Notwithstanding the provisions of subsection (d) of this section,
72 any member of MERS 2.0, other than a public safety employee, who (1)
73 is separated from the service of the municipality by which the member
74 is employed, except for cause, (2) has completed at least five years of
75 continuous service but fewer than thirty years of aggregate service, and
76 (3) has not attained the age of sixty-five years, shall have the option of
77 receiving a retirement allowance at any time on or after attaining the age
78 of fifty-five years, provided the retirement allowance shall be payable in
79 such amount as determined by the Connecticut Municipal Employees
80 Retirement Commission to be the actuarial equivalent of the retirement
81 allowance that would have been payable except for the election of such
82 option. Retirement allowances under subsection (d) of this section shall
83 not be subject to the actuarial reduction under this subsection.

84 (f) Each member participating in MERS 2.0 shall contribute to the
85 fund five per cent of such member's regular pay, except that each
86 member who is a public safety employee shall contribute to the fund
87 eight per cent of such member's regular pay.

88 (g) (1) Except as provided in subsection (e) of this section, after
89 retirement, in accordance with the provisions of this section, each
90 member participating in MERS 2.0 shall receive, during such member's
91 lifetime, a retirement allowance payable in monthly installments equal
92 to one-twelfth of one and eight-tenths per cent of the member's average
93 annual pay or, for members who are public safety employees, one-
94 twelfth of two and two-tenths per cent of such employee's average
95 annual pay, multiplied by the number of months of such member's
96 aggregate service.

97 (2) For the purpose of calculating a member's average annual pay, the
98 member's regular pay for a year in which such member held more than
99 one position or in which the regular pay for such member's position
100 changed shall be the sum of the regular pay for all positions held by the
101 member during such year, except that the regular pay for each position
102 shall be multiplied by the fraction of one year for which the member
103 held such position.

104 (h) The provisions of the following sections shall apply to members
105 participating in MERS 2.0, as applicable: (1) Section 7-432 of the general
106 statutes concerning disability retirement allowances; (2) section 7-433b
107 of the general statutes concerning survivors' benefits for firemen and
108 policemen; (3) subsections (b) to (d), inclusive, of section 7-439g of the
109 general statutes concerning preretirement death benefits; and (4)
110 subsection (a) and subparagraph (G) of subdivision (1) of subsection (b)
111 of section 7-439b of the general statutes concerning cost of living
112 adjustments.

113 Sec. 2. (NEW) (*Effective from passage*) (a) Not later than July 1, 2026,
114 the Connecticut Municipal Employees Retirement Commission shall
115 create a defined contribution retirement plan to be known as the MERS
116 defined contribution plan.

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

120 (2) In addition to the contributions under subdivision (1) of this
121 subsection, each member participating in MERS 2.0 shall contribute five
122 per cent of such member's other pay to the MERS defined contribution
123 plan, except that each member who is a public safety employee shall
124 contribute eight per cent of such member's other pay to the MERS
125 defined contribution plan.

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

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

132 (5) The Connecticut Municipal Employees Retirement Commission
133 shall serve as the administrator of the MERS 2.0 defined contribution
134 plan. Said commission may (A) make deposits or payments to such plan,

135 subject to the terms of such plan, and (B) contract with a private
136 corporation or private institution for the provision of consolidated
137 billing services and other administrative services for such plan.

138 (6) As used in this section, "MERS 2.0", "other pay" and "public safety
139 employee" have the same meanings as provided in section 1 of this act.

140 Sec. 3. (NEW) (*Effective from passage*) (a) The Connecticut Municipal
141 Employees Retirement Commission may establish and implement an
142 annuity plan that shall be an alternative to the municipal employees
143 retirement system under part II of chapter 113 of the general statutes,
144 provided any such annuity plan is approved with the unanimous vote
145 of the trustees set forth in subdivisions (3) and (4) of subsection (b) of
146 section 7-448a of the general statutes. No municipality participating in
147 the municipal employees retirement system as of the date such plan is
148 implemented shall be eligible to participate in such annuity plan. The
149 commission shall prescribe the manner in which such annuity plan may
150 be adopted by any municipality, as defined in section 7-425 of the
151 general statutes, that is not participating in the municipal employees
152 retirement system.

153 (b) Any such annuity plan shall provide that a municipality that
154 adopts such plan shall have the option to transfer to such plan the
155 accounts and assets of any defined contribution retirement plan
156 previously adopted by such municipality. Payroll deductions for each
157 member of the annuity plan implemented under this section shall be
158 made by the appropriate municipal employer.

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

167 plan.

168 Sec. 4. Subsections (c) and (d) of section 5-257 of the general statutes
169 are repealed and the following is substituted in lieu thereof (*Effective July*
170 *1, 2025*):

171 (c) Each employee and each member of the General Assembly
172 insured under subsection (b) of this section shall contribute to the cost
173 of the life insurance a sum equal to twenty cents biweekly for each
174 thousand dollars of life insurance. The State Comptroller shall deduct
175 such amount from the employees' or members' pay and shall pay the
176 premiums on such policy or policies. Any dividends or other refunds or
177 rate credits shall inure to the benefit of the state and shall be applied to
178 the cost of such insurance.

179 (d) (1) The insurance of any employee insured under this section shall
180 cease on termination of employment, and of any member of the General
181 Assembly at the end of such member's term of office, subject to any
182 conversion privilege provided in the group life insurance policy or
183 policies. Notwithstanding any provision of this section, the amounts of
184 life insurance of insured employees retired in accordance with any
185 retirement plan for state employees shall be as follows:

186 (A) Except as provided in subparagraph (C) of this subdivision:

187 (i) The amount of life insurance of an insured employee retired
188 before, on or after July 1, 1998, and prior to July 1, 2025, with twenty-
189 five or more years of state service, as defined in section 5-196, or a
190 member of the General Assembly who is retired on or after July 1, 1988,
191 with twenty-five or more years of service, shall be one-half of the
192 amount of life insurance for which the employee was insured
193 immediately before retirement, provided in no case shall the amount be
194 less than ten thousand dollars; [those]

195 (ii) The amount of life insurance of an insured employee retired on or
196 after July 1, 2025, with twenty-five or more years of credited state service
197 shall be one-half of the amount of life insurance for which the employee

198 was insured immediately before retirement, provided in no case shall
 199 the amount be less than ten thousand dollars. For the purposes of this
 200 clause, "credited state service" means service during which a state
 201 employee or other eligible individual described in section 5-259 is
 202 eligible to participate in a state-sponsored retirement system, except the
 203 teachers' retirement system and the municipal employees retirement
 204 system, and includes credit granted for military service.

205 (B) Those with less than twenty-five years of service shall receive the
 206 proportionate amount that such years of service is to twenty-five years
 207 rounded off to the nearest hundred dollars of coverage. [, except that
 208 the]

209 (C) The amount of life insurance of an insured employee who is
 210 retired on or after July 1, 1982, under the provisions of section 5-173 shall
 211 be one-half of the amount of life insurance for which the employee was
 212 insured immediately before retirement, regardless of the number of
 213 years of service by such employee.

214 (2) In no case shall a retired employee be required to contribute to the
 215 cost of any such reduced insurance. For the purposes of this section, no
 216 employee shall be deemed to be retired as long as such employee's
 217 employment continues under subsections (b) and (d) of section 5-164.

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
Sec. 4	<i>July 1, 2025</i>	5-257(c) and (d)

Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>July 1, 2025</i>	5-257(c) and (d)

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.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
State Comptroller - Fringe Benefits	GF - Potential Savings	See Below	See Below

Note: GF=General Fund

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 at the earliest, depending on their enrollment date. Actual impacts are subject to plan demographics and performance. The bill outlines a new tier (MERS 2.0) 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 bill additionally results in potential savings to the state for a new tier of group life insurance coverage for insured employees retiring on or after July 1, 2025, with twenty-five or more years of "credited state service" which narrows the number of eligible retirees from current law which requires twenty-five or more years of "state service."

House "A" strikes the underlying bill and its associated fiscal impact, and results in the fiscal impact described above.

The Out Years

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

OLR Bill Analysis**sHB 7276 (as amended by House "A")*****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. After the municipality enrolls in MERS 2.0, anyone who first becomes eligible there 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 "other pay" (for regular employers) or 8% of their "other pay" (for public safety employees). ("Other pay" includes overtime pay, bonuses, and any other employee compensation other than regular pay.) It also requires CMERS-participating municipalities to make matching contributions for their MERS 2.0 members.

The bill authorizes CMERC to set up and implement an annuity plan

as an alternative to CMERS for nonparticipating municipalities, subject to certain requirements.

Lastly, the bill changes the service criteria used to determine a retired state employee's eligibility for certain life insurance benefits.

*House Amendment "A" principally:

1. adds the state employee retiree life insurance provision;
2. expands the compensation excluded from MERS 2.0 employee contribution calculations to include bonuses and any other compensation other than regular pay;
3. clarifies that once a nonparticipating municipality enrolls in MERS 2.0, anyone who first becomes eligible there must also be enrolled; and
4. eliminates provisions directing members' defined contribution retirement plan contributions to the Connecticut Municipal Employees Retirement Fund.

EFFECTIVE DATE: Upon passage, except the state employee retiree life insurance provision is effective July 1, 2025.

§ 1 — MERS 2.0

Employee Contributions

Under the bill, MERS 2.0 members must contribute (1) 5% of their regular pay (for regular employees) or (2) 8% of their regular pay (for public safety employees). An employee's "regular pay" is his or her "base pay" plus other predictable ongoing compensation (other than overtime pay), as determined under regulations adopted by CMERC. "Base pay" includes annual salary, wages, or earnings, but not (1) other 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 regular 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 regular pay for his or her position changed. Specifically, the regular 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.

§ 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.

§ 4 — STATE EMPLOYEE RETIREE LIFE INSURANCE

By law, state employees who participate in the state-sponsored group life insurance plan qualify for continued "paid-up" coverage under the policy when they retire from state service. Under current law, those

employees receive coverage for 50% of the amount of life insurance they were insured for immediately before retiring, if they retire with at least 25 years of “state service,” which is occupying for pay any office or position or employment in the service of the state, but not its local governmental subdivisions.

For those employees who retire on or after July 1, 2025, the bill instead requires 25 years of “credited state service,” which is service for which the employee or other eligible person was eligible to participate in a state-sponsored retirement system other than the Teachers’ Retirement System or CMERS. As under current law, (1) those with enough credited state service receive coverage for 50% of the amount of life insurance they were insured for immediately before retiring; (2) those with less than 25 years of credited state service receive a proportionate amount of life insurance coverage, rounded to the nearest \$100; (3) the coverage must be for at least \$10,000; and (4) the retiree cannot be required to pay for the insurance.

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)