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:

Section 1. (NEW) (*Effective from passage*) (a) As used in this section:

(1) "Active service" means service with a participating municipality for which contributions are required pursuant to subsection (f) of this section;

(2) "Aggregate service" has the same meaning as provided in section 7-425 of the general statutes;

(3) "Average annual pay" means the average annual amount of the regular pay an employee received during the five years of active service in which the employee received the highest amount of regular pay;

(4) "Base pay" means the annual salary, wages or earnings of an

employee, not including other pay, payments received pursuant to chapter 568 of the general statutes or payouts for accrued vacation time, sick leave or compensatory time;

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

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

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

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

(9) "Other pay" means overtime pay, bonuses and all other compensation of an employee other than an employee's regular pay;

(10) "Public safety employee" means a uniformed member of a municipality's paid fire department or a regular member of a municipality's paid police department; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

plan.

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

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

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

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

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

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

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

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

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

(2) In no case shall a retired employee be required to contribute to the cost of any such reduced insurance. For the purposes of this section, no employee shall be deemed to be retired as long as such employee's 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	*from passage*	New section
Sec. 2	*from passage*	New section
Sec. 3	*from passage*	New section
Sec. 4	*July 1, 2025*	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)