
OLR Bill Analysis

sSB 219

AN ACT CONCERNING THE MUNICIPAL EMPLOYEE RETIREMENT SYSTEM CONTRIBUTION RATE.

SUMMARY:

Starting January 1, 2015, this bill increases the employee contribution rate for participants in the state's Municipal Employee Retirement System (MERS) by a total of 2.75% of salary over three years. MERS is a statewide pension system for municipal employees that municipalities can opt into by agreeing to meet specified financial requirements. It is administered by the State Retirement Commission.

EFFECTIVE DATE: October 1, 2014

CONTRIBUTION INCREASES

Under current law, MERS participants must contribute 2.25% of the portion of their pay that is subject to the Social Security tax and 5% of the portion that is not. Table 1 shows how the bill increases these contributions over the next three years.

Table 1: MERS Contribution Increases under the Bill

	<i>Portion of pay subject to Social Security Tax</i>	<i>Portion of pay not subject to Social Security tax</i>
Contributions under current law	2.25%	5%
Contributions starting 1/1/2015 under the bill	3.25%	6%
Contributions starting 1/1/2016 under the bill	4.25%	6%
Contributions starting 1/1/2017 under the bill	5%	7.75%

EFFECT ON PARTICIPANTS

How these changes affect a MERS participant depends on the

participant's salary and the extent to which he or she pays Social Security taxes. For participants not covered by Social Security, and whose pay is thus not subject to Social Security taxes, the bill gradually increases contributions from their current 5% of pay to 7.75% in 2017. For participants covered by Social Security but making less than Social Security's taxable income limit (currently \$117,000), contributions gradually increase from 2.25% to 5% in 2017 because all of their pay is subject to Social Security tax. Participants with salaries exceeding the social security limit pay two contribution rates, one for the portion of their salary subject to Social Security tax, which the bill increases from 2.25% to 5%, and a second for the portion of their salary above the limit, which the bill increases from 5% to 7.75%.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 12 Nay 0 (03/11/2014)