
OLR Bill Analysis

sSB 882

AN ACT CONCERNING MUNICIPAL ARBITRATION AND THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM.

SUMMARY

Starting July 1, 2019, this bill increases the required employee contribution rate for participants in the Municipal Employee Retirement System (MERS) by 1% a year for three fiscal years for a total increase of 3%. After FY 22, which is the third year of the increase, the contribution rates revert to the rates under current law. (MERS is a statewide pension system administered by the State Retirement Commission that municipalities can opt into by agreeing to meet certain financial requirements.)

The bill also requires the State Board of Mediation and Arbitration (SBMA) to randomly select the third arbitrator, who must be impartial, to complete the three-person arbitration panel for municipal employee contract arbitration. Under current law, the first two arbitrators, one chosen by the municipal employer and the other by the employee union, must agree on and choose the third arbitrator, who also serves as panel chairperson.

Finally, the bill requires the Advisory Commission on Intergovernmental Relations (ACIR) to report recommendations on adding a new tier to MERS that is modeled after the multi-tiered State Employees Retirement System to the Office of Policy and Management (OPM) secretary by December 1, 2019. ACIR must submit the report in consultation with the State Employees Retirement Commission.

EFFECTIVE DATE: July 1, 2019

RETIREMENT CONTRIBUTION INCREASES

The bill increases the MERS employee contributions over three fiscal years, as shown in Table 1.

Table1: MERS-Required Contribution Increases under the Bill

	Current law	7/1/19 - 6/30/20	7/1/20 - 6/30/21	7/1/21- 6/30/22
Portion of Pay Subject to Social Security Tax	2.25%	3.25%	4.25%	5.25%
Portion of Pay Not Subject to Social Security Tax	5%	6%	7%	8%

As under current law, the bill requires the contributions to be deducted by the municipality and forwarded to the retirement commission at least once a month to be credited to the municipal retirement fund.

After FY 22, which is the third year of the increase, the contribution rates revert to the rates under current law.

Effects on Participants

These changes' effect on a MERS participant depends on the participant's salary and whether he or she pays Social Security taxes (see BACKGROUND).

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 8% in FY 22. For participants covered by Social Security but making less than Social Security's taxable income limit (currently \$132,900), contributions gradually increase from 2.25% to 5.25% in FY 22 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 5.25%, and a second for the portion of their salary above the limit, which the bill increases from 5% to 8%.

MUNICIPAL ARBITRATION

Under current municipal collective bargaining law, when

negotiations for a contract go to arbitration, each side selects an arbitrator, and they have five days to jointly agree on a third, impartial arbitrator from the list of impartial arbitrators to complete the three-person arbitration panel. The bill requires the SBMA to randomly select the third arbitrator, who must be impartial, to complete the three-person panel within five days.

Under current law, the Neutral Arbitrator Selection Committee, appointed by the labor commissioner, appoints at least 20 impartial arbitrators representing the public's general interests to serve two-year terms. The bill instead requires, starting July 1, 2019, the selection committee to appoint at least 10 impartial arbitrators to serve for five-year terms. As under current law, the arbitrators must be state residents chosen by the selection committee's unanimous vote.

The bill states that the term of any arbitrator appointed before July 1, 2019, will expire on that date.

BACKGROUND

Social Security

Social Security, which provides old-age, survivors, and disability insurance programs, limits the amount of earnings subject to taxation for a given year. This limit is revised each year depending upon changes in the national average wage index. For 2019 the limit is \$132,900 (for 2018 it had been \$128,400).

Social Security requires employers and employees to each contribute an amount equal to 6.2% of the employees' pay up to the limit on the earnings subject to taxation.

Related Bills

SB 1072, favorably reported by the Planning and Development Committee, modifies ACIR's mandate and membership and expands its reporting requirements to include an annual work plan.

HB 7192, favorably reported by the Planning and Development Committee, includes all the provisions of SB 1072 and authorizes ACIR to annually recommend to the OPM secretary proposals for regional

efficiencies.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 19 Nay 2 (03/29/2019)