OFFICE OF FISCAL ANALYSIS
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sSB-882
AN ACT CONCERNING MUNICIPAL ARBITRATION AND THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM.

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 20 $	FY 21 $
Municipalities Participating in the Connecticut Municipal Employees' Retirement System (CMERS)	Savings	See Below	Approximately $14.1 million

Explanation

Section 1 of the bill does not result in a fiscal impact to the Labor Department as it is administrative in nature.

Section 2 of the bill results in savings to municipalities participating in the Connecticut Municipal Employee Retirement System (CMERS) by increasing the employee share of the pension contribution by 3% over three years (1% per year starting in FY 20) after which contributions revert to current law. Total savings in CMERS employer contributions are estimated to be $6.8 million in FY 20; $14.2 million in FY 21; and $21.9 million in FY 22 when fully phased in compared to current law.[1] The employer contribution rates for FY 20 were established in June 30, 2018 valuation, therefore savings will not be realized by municipalities until FY 21 unless a revised June 30, 2018

[1] Based the most recent available CMERS actuarial valuation as of July 30, 2018. Assumes total contribution rate and benefit structure remain constant.

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valuation is issued. The savings for FY 21 will be reflected in the employer contribution rate reported for FY 21 in the June 30, 2019 valuation. The savings in FY 22 will be reflected in the employer contribution rate reported for FY 22 in the June 30, 2020 valuation.

The retirement system currently has 10,096 active members (5,874 with social security and 4,222 without social security).

Section 3 is not anticipated to result in a fiscal impact to the state or municipalities as the Connecticut State Employees' Retirement System has the expertise to make the recommendations specified in the bill.

The Out Years

The annualized ongoing fiscal impact reflected in section 2 ends in FY 22, when employee contribution rates revert back to current law. The future impact will be reflected in increased employer contribution rates presented in future CMERS actuarial valuations.