

OFFICE OF FISCAL ANALYSIS

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sSB-882

AN ACT CONCERNING THE MUNICIPAL EMPLOYEES'
RETIREMENT SYSTEM AND AUTHORIZING BONDING FOR THE
CITY OF BRIDGEPORT'S PENSION PLAN A FUND.

As Amended by Senate "B" (LCO 10659), Senate "C" (LCO 11064)
House Calendar No.: 734
Senate Calendar No.: 350

OFA Fiscal Note

State Impact: None

Municipal Impact:

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

Explanation

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 six years (0.5% per year starting in FY 20). Total savings in CMERS employer contributions are estimated to be \$3.4 million in FY 20; \$7 million in FY 21; and \$11 million in FY 22; \$15.2 million in FY 23; \$19.7 million in FY 24 and an annualized savings of \$24.6 million in FY 25 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

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

FY 21 at the earliest unless a revised June 30, 2018 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 through FY 25 and thereafter will be reflected in the employer contribution rate reported for in actuarial valuations for the system starting with 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).

In addition, the bill allows the City of Bridgeport to issue pension deficit bonds of not more than \$125.0 million, maturing not more than 25 years from the date of issuance. This results in increased debt service costs for the City. The bill may result in a reduction in the City's annual pension payments, based on the application of the bond proceeds to any unfunded pension liability.

Senate "B" struck the underlying bill and its associated fiscal impact and results in the fiscal impact described above related to CMERS. Senate "A" added a new section to the bill related to the City of Bridgeport's issuance of pension deficit bonds.

The Out Years

The impact will be reflected in (1) future actuarial valuations of the CMERS system and (2) annual pension payments and debt service related to pension deficit bonds issued by the City of Bridgeport in accordance with the bill.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does 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.