



House Bill No. 6930

Public Act No. 23-182

AN ACT CONCERNING REVISIONS TO THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM, A DEFERRED RETIREMENT OPTION FOR PARTICIPATING MEMBERS AND THE DEVELOPMENT OF BEST PRACTICES FOR GOVERNANCE STRUCTURES OF MUNICIPAL RETIREMENT PLANS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 7-425 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

The following words and phrases as used in this part, except as otherwise provided, shall have the following meanings:

(1) "Municipality" means any town, city, borough, school district, regional school district, taxing district, fire district, district department of health, probate district, housing authority, regional workforce development board established under section 31-3k, regional emergency telecommunications center, tourism district established under section 10-397, flood commission or authority established by special act or regional council of governments;

(2) "Participating municipality" means any municipality that has accepted this part, as provided in section 7-427;

(3) "Legislative body" means, for towns having a town council, the

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council; for other towns, the selectmen; for cities, the common council or other similar body of officials; for boroughs, the warden and burgesses; for regional school districts, the regional board of education; for district departments of health, the board of the district; for probate districts, the judge of probate; for regional councils of governments, the council; for regional emergency telecommunications centers, a representative board; for tourism districts, the board of directors of such tourism district; and in all other cases the body authorized by the general statutes or by special act to make ordinances for the municipality;

(4) "Retirement Commission" means the State Retirement Commission created by chapter 66;

(5) "Member" means any regular employee or elective officer receiving pay from a participating municipality, and any regular employee of a free public library that receives part or all of its income from municipal appropriation, who has been included by such municipality in the pension plan as provided in section 7-427, but shall not include any person who customarily works less than twenty hours a week if such person entered employment after September 30, 1969, any police officer or firefighter who will attain the compulsory retirement age after less than five years of continuous service in fund B, any teacher who is eligible for membership in the state teachers retirement system, any person eligible for membership in any pension system established by or under the authority of any special act or of a charter adopted under the provisions of chapter 99, or any person holding a position funded in whole or in part by the federal government as part of any public service employment program, on-the-job training program or work experience program, provided persons holding such federally funded positions on July 1, 1978, shall not be excluded from membership but may elect to receive a refund of their accumulated contributions without interest;

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(6) "Pay" means the salary, wages or earnings of an employee, including any payments received pursuant to chapter 568 and the money value as determined by the Retirement Commission of any board, lodging, fuel or laundry provided for such employee by the municipality but not including any fees or allowances for expenses;

(7) "Fund" and "fund B" means the Connecticut Municipal Employees' Retirement Fund B;

(8) "Continuous service" and "service" means active service as a member, or active service prior to becoming a member if such service (A) was in a department for which participation was subsequently accepted and not subsequently withdrawn, (B) was continuous to the date of becoming a member except service for which credit is granted pursuant to section 7-436a, and (C) would have been as a member if the department had then been participating, all subject to the provisions of section 7-434;

(9) "Active service" means service with a participating municipality for which a member makes contributions pursuant to section 7-440;

(10) "Aggregate service" means active service plus any other form of service for which a member obtains credit under sections 7-427b, 7-436b, 7-442a and 7-442b;

[(9)] (11) "System" means the Old Age and Survivors Insurance System under Title II of the Social Security Act, as amended;

[(10)] (12) "Social Security Act" means the Act of Congress, approved August 14, 1935, Chapter 531, 49 Stat. 620, officially cited as the Social Security Act, including regulations and requirements issued pursuant thereto, as such act has been and may from time to time be amended;

[(11)] (13) "Regional emergency telecommunications center" means any entity authorized by the Department of Emergency Services and

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Public Protection as a public safety answering point responsible for the receipt and processing of 9-1-1 calls for at least three municipalities.

Sec. 2. Section 7-436 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) After retirement, in accordance with the provisions of this part [each member of fund B] and except as provided in subsection (g) of this section, each member of the municipal employees' retirement system who is not covered by the Old Age and Survivors Insurance System shall receive, during such member's lifetime, a retirement allowance payable in monthly installments at an annual rate equal to [the sum of (1) and (2) as follows: (1) To the extent that such member's average annual rate of pay for the last ten years of service, including service credited under the provisions of sections 7-442a and 7-442b, is derived from pay with respect to which contributions have been deducted under section 7-453 or would have been deducted had such member been included in such system during the entire ten years, one-twelfth of one and one-sixth per cent of such average annual pay, multiplied by the number of months of such member's service; (2) to the extent that such member's average annual rate of pay for the three highest-paid years of service exceeds the average obtained in subdivision (1) of this subsection, one-twelfth of two per cent of such average annual pay, multiplied by the number of months of such member's service; provided such] one-twelfth of two per cent of the member's average annual pay for the three highest-paid years of service, multiplied by the number of months of such member's aggregate service.

(b) After retirement, in accordance with the provisions of this part and except as provided in subsection (h) of this section, each member of the municipal employees' retirement system who (1) is covered by the Old Age and Survivors Insurance System, (2) retires before attaining the age at which such member first becomes eligible to receive Social Security benefits, and (3) who has not qualified for a Social Security

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disability award, shall receive, until such member attains such age or qualifies for a Social Security disability award, if earlier, a retirement allowance payable in monthly installments at an annual rate equal to one-twelfth of two per cent of the member's average annual pay for the three highest-paid years of service, multiplied by the number of months of such member's aggregate service.

(c) On and after January 1, 2002, except as provided in subsection (h) of this section, the following formula shall be used for the purpose of calculating the monthly allowance of each member covered by the Old Age and Survivors Insurance System on the first of the month after such member attains the age at which such member first becomes eligible to receive Social Security benefits or qualifies for a Social Security disability award, if earlier: One-twelfth of one and one-half per cent of such member's average annual pay for the three highest-paid years of service up to the breakpoint for the year in which such member separated from service, plus one-twelfth of two per cent of such member's final average annual pay in excess of the breakpoint for the year in which such member separated from service, multiplied by such member's years of retirement credit and fractions thereof. Such allowance shall be reduced in recognition of any optional form of retirement income elected in accordance with section 7-439g. For the purposes of this section, "breakpoint" has the same meaning as "year's breakpoint" in section 5-192f.

(d) Notwithstanding the provisions of subsections (a) to (c), inclusive, of this section, the retirement allowance for permanent and total disability arising out of and in the course of such member's employment, as defined in the Workers' Compensation Act, shall not be less than one-twelfth of one-half of the member's annual pay at the time such member's disability was incurred. Any amount or amounts received under the Workers' Compensation Act shall be deducted from such allowance, except that any member who has received a specific

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indemnity award under section 31-307 or 31-308 shall not have the amount of such indemnity award deducted from such member's allowance. The retirement allowance [herein] provided under this subsection shall be reduced by the amount of any retirement allowance concurrently payable under the provisions of section 7-431, and by the amount of any retirement allowance concurrently payable by the state employees' retirement system or the retirement system of any municipality not participating under the provisions of this part, on account of a period of service for which credit has been transferred to the Municipal Employees' Retirement Fund under the provisions of section 7-442b, or the monthly equivalent thereof if payable other than monthly. No retirement allowances under this section, before the reduction prescribed in the preceding sentence plus workers' compensation payments and benefits under the Old Age and Survivors Insurance System on account of service in a participating municipality, if any, shall exceed one-twelfth of the member's average annual pay during the three highest-paid years of municipal service, and, subject to the foregoing maximum limit, no such allowance plus payments shall be less than one thousand dollars annually.

[(b)] (e) Each employee or spouse of a deceased employee retired under the Municipal Employees' Retirement Act Fund B prior to July 1, 1971, shall be entitled, in addition to his or her original monthly retirement allowance, to an additional cost of living monthly allowance computed on the basis of his or her monthly retirement allowance, less any prior cost of living increases to which he or she was previously entitled, using the table in subdivision (1) of this subsection.

(1) Such cost of living allowances shall commence on July 1, 1973, and shall be computed at the rates set forth in the following table:

Fiscal Year Of Retirement Year	Rates %
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Ending June 30 th	Of Increase
1949	40.0
1950	42.7
1951	41.2
1952	33.9
1953	30.9
1954	30.4
1955	30.0
1956	30.4
1957	28.3
1958	24.8
1959	21.9
1960	21.1
1961	19.5
1962	18.1
1963	16.8
1964	15.1
1965	14.6
1966	14.1
1967	12.9
1968	6.0
1969	4.0
1970	4.0
1971	4.0

(2) The limitation of the maximum retirement allowance provided in subsection (a) of this section shall not be applicable to increases under this subsection.

[(c) Each retired member of fund B shall have his allowance increased to the amount which would be payable based on his annual rate of pay for the three highest-paid years of service.]

[(d)] (f) For purposes of determining eligibility for retirement benefits for part-time employees under this section, a member's part-time service shall be payable to a member whose service consists solely of part-time

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service without variation in the number of hours worked during all periods of his municipal service, such member's service shall be treated as full-time service. For purposes of computing the retirement benefit payable to a member whose service consists of part-time and full-time service or whose service consists of part-time service rendered in different proportions to a full-time schedule, such member's years of service and average salary shall be proportionately adjusted to produce a retirement benefit equivalent to that payable if his service had been rendered at an unvarying rate. As used in this subsection, "part-time service" means service by a member who customarily works less than a full-time schedule but no less than twenty hours per week.

[(e) On and after January 1, 2002, the following formula shall be used for the purpose of calculating the monthly allowance of each member covered by the Old Age and Survivors Insurance System on the first of the month after such member becomes eligible for Social Security or until such member qualifies for a Social Security disability award, if earlier: One-twelfth of one and one-half per cent of such member's final average pay up to the breakpoint for the year in which such member separated from service plus two per cent of such member's final average pay in excess of the breakpoint for the year in which such member separated from service, multiplied by such member's years of retirement credit and fractions thereof. Such allowance shall be reduced in recognition of any optional form of retirement income elected in accordance with section 7-439g. For the purposes of this subsection, "breakpoint" has the same meaning as "year's breakpoint" in subsection (a) of section 5-192f.]

(g) (1) The provisions of this subsection shall apply only to members of the municipal employees' retirement system who (A) are not covered by the Old Age and Survivors Insurance System, and (B) retire on or after July 1, 2025, after (i) attaining the age of sixty years and completing at least thirty years of aggregate service, or (ii) attaining the age of fifty-

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five years and completing at least twenty-seven years of active service as a member of a paid municipal fire department or as a regular member of a paid municipal police department.

(2) The monthly allowance for each such member shall be equal to the sum of subparagraphs (A) and (B) of this subdivision as follows: (A) One-twelfth of two per cent of such member's average annual pay for the three highest-paid years of service, multiplied by three hundred sixty or, for a member of a municipal fire or police department, by three hundred twenty-four; and (B) one-twelfth of two and two-tenths per cent of such member's average annual pay for the three highest-paid years of service, multiplied by the number of months of the member's aggregate service in excess of three hundred sixty or, for a member of a municipal fire or police department, in excess of three hundred twenty-four.

(h) (1) The provisions of this subsection shall apply only to members of the municipal employees' retirement system who (A) are covered by the Old Age and Survivors Insurance System, and (B) retire on or after July 1, 2025, after (i) attaining the age of sixty years and completing at least thirty years of aggregate service, or (ii) attaining the age of fifty-five years and completing at least twenty-seven years of active service as a member of a paid municipal fire department or as a regular member of a paid municipal police department.

(2) For a member who retires before attaining the age at which such member first becomes eligible to receive Social Security benefits and who has not qualified for a Social Security disability award, the monthly allowance for each such member until such member attains such age or qualifies for a Social Security disability award, if earlier, shall be equal to the sum of subparagraphs (A) and (B) of this subdivision as follows: (A) One-twelfth of two per cent of such member's average annual pay for the three highest-paid years of service, multiplied by three hundred sixty or, for a member of a municipal fire or police department, by three

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hundred twenty-four; and (B) one-twelfth of two and two-tenths per cent of such member's average annual pay for the three highest-paid years of service, multiplied by the number of months of the member's aggregate service in excess of three hundred sixty or, for a member of a municipal fire or police department, in excess of three hundred twenty-four.

(3) For a member who attains the age at which such member first becomes eligible to receive Social Security benefits or qualifies for a Social Security disability award, if earlier, the monthly allowance for each such member shall be equal to the sum of subparagraphs (A) and (B) of this subdivision as follows: (A) One-twelfth of one and one-half per cent of such member's average annual pay for the three highest-paid years of service up to the breakpoint for the year in which such member separated from service, plus one-twelfth of two per cent of such member's average annual pay for the three highest-paid years of service in excess of the breakpoint for the year in which such member separated from service, multiplied by three hundred sixty or, for a member of a municipal fire or police department, by three hundred twenty-four; and (B) one-twelfth of one and seven-tenths per cent of such member's average annual pay for the three highest-paid years of service up to the breakpoint for the year in which such member separated from service, plus one-twelfth of two and two-tenths per cent of such member's average annual pay for the three highest-paid years of service in excess of the breakpoint for the year in which such member separated from service, multiplied by the number of months of the member's aggregate service in excess of three hundred sixty or, for a member of a municipal fire or police department, in excess of three hundred twenty-four.

Sec. 3. Section 7-439b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) On July 1, 1986, and on July first of each subsequent year the State Retirement Commission shall adjust the retirement allowance of each

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member of the Municipal Employees' Retirement Fund and any annuitant who is receiving benefits under the provisions of this part to include a cost of living increase. There shall be an annual actuarial determination of the increase by determining the annual yield on the assets of the fund. In determining the yield, the actuary shall use an adjusted asset value, such that the market values of assets are adjusted to recognize a portion of realized and unrealized gains or losses each year until fully recognized. The amount of the increase, as a percentage of retirement allowance, shall be the excess of the annual yield over a six per cent yield, provided no increase granted under the provisions of this section shall be less than three per cent nor more than five per cent. Each such member shall receive the increases beginning on the first July first following the member's sixty-fifth birthday. Each such annuitant shall receive the increases beginning on the first July first following the date the deceased member would have reached the age of sixty-five. Any member who retired for disability under the provisions of section 7-432 shall receive the increases beginning July 1, 1986.

(b) (1) Notwithstanding any provision of the general statutes: [, each]

(A) Each member of the Municipal Employees' Retirement Fund who retires prior to January 1, 2002, and has not attained age sixty-five shall receive on July 1, 2002, and on July first of each subsequent year a cost of living increase equal to two and one-half per cent. In the event that a member who retires prior to January 1, 2002, becomes deceased, such cost of living increase shall be applied to the allowance of the annuitant, if any. The cost of living increase provided for in this subsection shall continue until the July first following the member's sixty-fifth birthday, at which point the formula set forth in subsection (a) of this section shall become operative;

(B) Each member of the Municipal Employees' Retirement Fund who retires on or after January 1, 2002, and prior to July 1, 2025, shall receive a cost of living increase beginning on the first July first following such

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member's retirement date and on each subsequent July first. Such increase shall be not less than two and one-half per cent and not more than six per cent, based upon the following formula: Sixty per cent of the annual increase in the consumer price index for urban wage earners and clerical workers for the immediately preceding twelve-month period up to six per cent, plus seventy-five per cent of the annual increase in such index for the same period over six per cent. In the event a member who retires on or after January 1, 2002, and prior to July 1, 2025, becomes deceased, such cost of living adjustment shall be applied to the allowance of the annuitant, if any; [.]

(C) Each member of the Municipal Employees' Retirement Fund who retires on or after July 1, 2025, and prior to July 1, 2026, shall receive a cost of living adjustment beginning on the first July first following the completion of twelve months of retirement and on each subsequent July first. Such increase shall be not less than two per cent and not more than seven and one-half per cent, based upon the following formula: Sixty per cent of the annual increase in the consumer price index for urban wage earners and clerical workers for the immediately preceding twelve-month period up to six per cent, plus seventy-five per cent of the annual increase in such index for the same period over six per cent. In the event a member who retires on or after January 1, 2025, and prior to July 1, 2026, becomes deceased, such cost of living adjustment shall be applied to the allowance of the annuitant, if any;

(D) Each member of the Municipal Employees' Retirement Fund who retires on or after July 1, 2026, and prior to July 1, 2027, shall receive a cost of living adjustment beginning on the first July first following the completion of twelve months of retirement and on each subsequent July first. Such increase shall be not less than one and one-half per cent and not more than seven and one-half per cent, based upon the following formula: Sixty per cent of the annual increase in the consumer price index for urban wage earners and clerical workers for the immediately

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preceding twelve-month period up to six per cent, plus seventy-five per cent of the annual increase in such index for the same period over six per cent. In the event a member who retires on or after January 1, 2026, and prior to July 1, 2027, becomes deceased, such cost of living adjustment shall be applied to the allowance of the annuitant, if any;

(E) Each member of the Municipal Employees' Retirement Fund who retires on or after July 1, 2027, and prior to July 1, 2028, shall receive a cost of living adjustment beginning on the first July first following the completion of twelve months of retirement and on each subsequent July first. Such increase shall be not less than one per cent and not more than seven and one-half per cent, based upon the following formula: Sixty per cent of the annual increase in the consumer price index for urban wage earners and clerical workers for the immediately preceding twelve-month period up to six per cent, plus seventy-five per cent of the annual increase in such index for the same period over six per cent. In the event a member who retires on or after January 1, 2027, and prior to July 1, 2028, becomes deceased, such cost of living adjustment shall be applied to the allowance of the annuitant, if any;

(F) Each member of the Municipal Employees' Retirement Fund who retires on or after July 1, 2028, and prior to July 1, 2029, shall receive a cost of living adjustment beginning on the first July first following the completion of twelve months of retirement and on each subsequent July first. Such increase shall be not less than one-half per cent and not more than seven and one-half per cent, based upon the following formula: Sixty per cent of the annual increase in the consumer price index for urban wage earners and clerical workers for the immediately preceding twelve-month period up to six per cent, plus seventy-five per cent of the annual increase in such index for the same period over six per cent. In the event a member who retires on or after January 1, 2028, and prior to July 1, 2029, becomes deceased, such cost of living adjustment shall be applied to the allowance of the annuitant, if any;

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(G) Each member of the Municipal Employees' Retirement Fund who retires on or after July 1, 2029, shall receive a cost of living adjustment beginning on the first July first following the completion of twelve months of retirement and on each subsequent July first. If the national consumer price index for urban wage earners and clerical workers increases by two per cent or less for the twelve-month period immediately preceding any such adjustment, such adjustment shall equal the actual percentage change in such index. If the national consumer price index for urban wage earners and clerical workers increases by more than two per cent for the twelve-month period immediately preceding any such adjustment, such adjustment shall be equal to the higher of (1) two per cent, or (2) sixty per cent of the amount of such increase for the first six per cent plus seventy-five per cent of the amount of such increase over six per cent, provided any such adjustment shall not exceed seven and one-half per cent. In the event a member who retires on or after July 1, 2029, becomes deceased, such cost of living adjustment shall be applied to the allowance of the annuitant, if any.

(2) The provisions of this subsection do not apply to members who retired under the provisions of section 7-432.

[(c) Notwithstanding any provision of the general statutes, each member of the Municipal Employees' Retirement Fund who retires prior to January 1, 2002, and has not attained age sixty-five shall receive on July 1, 2002, and on July first of each subsequent year a cost of living increase equal to two and one-half per cent. In the event that a member who retires prior to January 1, 2002, becomes deceased, such cost of living increase shall be applied to the allowance of the annuitant, if any. The cost of living increase provided for in this subsection shall continue until the July first following the member's sixty-fifth birthday, at which point the formula set forth in subsection (a) of this section shall become operative. The provisions of this subsection do not apply to members

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who retired under the provisions of section 7-432.]

Sec. 4. Section 7-439d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

The limitation of the maximum retirement allowance provided in subsection [(a)] (d) of section 7-436, as amended by this act, shall not be applicable to increases under sections 7-439b, as amended by this act, [to 7-439d, inclusive] and 7-439c.

Sec. 5. Section 7-459b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) On or after July 1, [2000] 2025, the Retirement Commission may create a deferred retirement option plan and prescribe the manner in which such option plan may be [adopted] offered to members by a municipality participating in the Municipal Employees' Retirement Fund. [, provided the method of adoption is in accordance with subsection (c) of this section. If created, such plan] Any plan created shall permit members of the Municipal Employees' Retirement Fund who are eligible for a service retirement allowance to elect participation in such plan. [, provided such plan has been adopted by the participating municipality that employs such member.]

(b) [The] Any deferred retirement option plan created shall include a fixed period of time for member participation, not to exceed five years, and a specified rate of interest credit for member accounts. All other provisions of the deferred retirement option plan shall be as determined by the Retirement Commission, provided the structure of such plan is certified by the consulting actuary to the Municipal Employees' Retirement Fund as having no anticipated impact [on] that would increase the contribution rates for municipalities participating in said fund. Not later than four years after the creation of such plan, the Retirement Commission shall obtain an evaluation of such plan from

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the consulting actuary and review and assess such evaluation to determine the cost to the fund associated with such plan. After receiving such evaluation, the Retirement Commission may discontinue such plan.

[(c) Any municipality participating in the Municipal Employees' Retirement Fund shall have the option of adopting the deferred option plan for its members. Such adoption shall be in a manner prescribed by the Retirement Commission.]

Sec. 6. (*Effective from passage*) (a) Not later than September 1, 2023, each municipality shall provide to the Comptroller, in a form and manner prescribed by the Comptroller, for each retirement plan offered by such municipality: (1) A statement of whether the municipality has formally adopted an investment policy statement and if so, a copy of such statement; (2) summary plan documents for the previous five fiscal years, except that a municipality need not include such documents for a fiscal year for which there were no changes to such plan or documents; (3) the five most recent actuarial valuations; (4) the form and governance structure of the municipal entity, if any, that provides management or oversight of the plan; (5) whether the municipality uses a third-party advisor or administrator to provide management or oversight of the plan; and (6) the estimated fees paid by the municipality in each of the previous five fiscal years for investments under the plan.

(b) The Comptroller, the Treasurer and the Secretary of the Office of Policy and Management shall jointly develop best practices for governance structures of municipal retirement plans and shall, not later than July 1, 2024, jointly submit a report, in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding and local governments. Such report shall include, but need not be limited to, (1) a summary of the current governance structures and management arrangements used by

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municipalities for their municipal retirement plans and the estimated fees paid by municipalities for investments under the plans, (2) the best practices developed under this subsection and any recommendations for legislative changes to assist municipalities with implementing or utilizing such best practices, and (3) recommendations on how the state can partner with municipalities to improve the management of municipal retirement plans, reduce fees for investments made under the plans and increase the rate of return to municipalities.

Approved June 27, 2023