

OFFICE OF FISCAL ANALYSIS

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HB-6930

AN ACT CONCERNING THE DEVELOPMENT OF BEST PRACTICES FOR GOVERNANCE STRUCTURES OF MUNICIPAL RETIREMENT PLANS.

AMENDMENT

LCO No.: 8264

File Copy No.: 693

House Calendar No.: 465

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Comptroller	GF - Potential Cost	Less Than 50,000	Less Than 50,000

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 24 \$	FY 25 \$
Various Municipalities	Cost/Savings	See Below	See Below

Explanation

The amendment strikes the underlying bill and its associated fiscal impact and results in the fiscal impact below.

Section 2 alters the provisions determining retirement allowance calculations resulting in potential costs to municipalities. There is an increase in the multiplier used to determine retirement allowances, which would presumably increase costs to municipalities to pay such allowances. Additionally, there are separate calculations for years of aggregate service, and members of municipal fire or police departments, which would also contribute to the potential costs.

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6/1/23
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Section 3 makes various changes to the cost-of-living adjustments (COLA) to retirees' allowance payments, which may result in potential net savings. The COLA schedule now requires members of the Municipal Employees' Retirement Fund (MERF) who retire on or after July 1, 2025, to complete a minimum of twelve months of retirement prior to receiving an adjustment. Additionally, the minimum adjustment begins to decrease each year in half percentage increments for members who retire between July 1, 2025, and July 1, 2029. For all retirees of MERF, the maximum COLA also increased to 7.5%, actual adjustments will be determined by the national consumer price index.

Section 5 allows members participating in Municipal Retirement Employees' Retirement Fund to elect to participate in the deferred retirement option plan, which is not anticipated to result in a fiscal impact. The Retirement Commission will utilize an actuarial report, anticipated to cost the Office of the State Comptroller less than \$50,000 to obtain, to assess the retirement plan after four years, which will determine the continuation of the plan dependent on the potential fiscal impact.

Section 6 requires municipalities to submit certain retirement information to the Office of the State Comptroller, and the Comptroller, Treasurer, and Secretary of the Office of Policy and Management (OPM) to submit a joint report. This results in a potential, one-time cost to the Office of the State Comptroller in FY24 of less than \$50,000 to pay for a consultant to analyze municipal retirement plans for the report. There is no fiscal impact to municipalities, OPM or OTT as they have the resources necessary to fulfill these requirements.

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.