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HB-6930
AN ACT CONCERNING THE DEVELOPMENT OF BEST PRACTICES FOR GOVERNANCE STRUCTURES OF MUNICIPAL RETIREMENT PLANS.
As Amended by House "A" (LCO 8264)
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 bill makes various changes related to municipal employee retirement plans, resulting in the fiscal impacts described by section 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.

**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.

House "A" strikes the underlying bill and its associated fiscal impact, resulting in the fiscal impact described above.

### *The Out Years*

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.