

# OFFICE OF FISCAL ANALYSIS

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SB-328

## AN ACT CONCERNING PERMANENT PARTIAL DISABILITY BENEFITS AND PENSION OFFSETS.

### ***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:***

<b>Municipalities</b>	<b>Effect</b>	<b>FY 25 \$</b>	<b>FY 26 \$</b>
Various Municipalities	STATE MANDATE <sup>1</sup> - Cost	See Below	See Below

### ***Explanation***

The bill will result in a cost to municipalities who offer defined benefit retirement plans for employees from eliminating permanent partial disability (PPD) settlement offsets from the pension benefit formula. The cost will be recognized in the annual actuarially determined employer contribution (ADEC) amounts for municipalities' respective pension systems. The bill is interpreted to apply to all current and future retirees for benefits paid on or after October 1, 2024.

The impact to certain municipalities will be realized when the liability is assessed by plan actuaries, to the extent permitted by collective bargaining. State issued PPD benefits range from \$50 - \$1,154 weekly.<sup>2</sup> Under the bill, municipalities cannot deduct any

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<sup>1</sup> State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

<sup>2</sup> Sourced from the State of Connecticut Workers' Compensation Commission weekly benefits tables for October 1, 2023 - September 30, 2024.

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amount of the awarded PPD benefit from that person's pension benefit. Approximately 5% of the retirees in the Connecticut Municipal Employees Retirement System (CMERS) collect disability benefits.<sup>3</sup> It is unclear to what extent these retirees collected PPD benefits.

### ***The Out Years***

The annualized ongoing fiscal impact identified above will continue into the future and be reflected in the respective municipality's annual ADEC.

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<sup>3</sup> Connecticut Municipal Employees Retirement System Report of the Actuary on the Valuation Prepared as of June 30, 2023.