



**Testimony  
Bart Russell  
Executive Director  
Connecticut Council of Small Towns (COST)  
Before the Labor Committee  
March 13, 2012**

**RE: SUPPORT – HB-5400, An Act Concerning the Municipal Employee Retirement System Contribution Rate**

The Connecticut Council of Small Towns (COST) supports HB-5400, with revisions, to address growing concerns that towns and cities are shouldering the burden for an increasing portion of municipal pension costs. The problem is, state law caps the municipal employee contribution rate at 2 ¼% of earnings subject to Social Security taxes plus 5% of earnings on which no Social Security tax is paid. Participating municipalities are required to contribute the remainder of the costs needed to finance the plan.

It is our understanding that the statutorily set cap on employee contributions has never been adjusted, leaving towns with huge budget gaps due to escalating pension costs. Employee pensions are one of the biggest cost drivers in municipal budgets, along with health care benefits and wages. Many towns have indicated that the increases in the amount that they have to contribute to the Municipal Employee Retirement System (MERS) make up a significant portion of a town's annual expenditure increases. Many towns have been forced to reduce critical town services or delay needed maintenance projects in order to accommodate these increases without further burdening property taxpayers.

Towns need financial relief from state-mandated municipal contributions to the Municipal Employees Retirement System. Moreover, to ensure that pension systems are actuarially sound, employers *and* employees should be required to contribute sufficient money on an annual basis.

**COST therefore recommends amending the statutorily set employee contributions to the Municipal Employee Retirement System by increasing such contributions by 1% annually over the next three years for a total increase of 5.25%. This is a modest proposal which addresses the imbalance in the current system.**