

FIFTEEN ROPE FERRY ROAD



HB 5400
PRO

February 10, 2012

Connecticut Conference of Municipalities
Legislative Action Center
900 Chapel Street, 9th Floor
New Haven, CT 06510

To Whom It May Concern:

Over the past several years, the Town of Waterford has experienced a tremendous budgetary increase in the cost of providing retirement benefits as a member of the Municipal Employees Retirement System. The Waterford Board of Finance has been forced to grapple with funding these increases annually, sometimes at the expense of its service level.

Over the years, several issues were raised by the Board, not the least of which was the reason for the increase or the lack thereof, the timeliness of the notification of the annual increase (although this has subsequently been resolved), and that State appointed administrators are making recommendations to the legislative body to increase benefits, reduce vestment periods, and provide for buy-in of time not directly related to the Town's employment of the individual. All these actions are taken without municipal representation on the Board that's making these recommendations.

As history, in September of 2001, Connecticut municipalities were notified, after the fact, of the enactment by the legislature of Public Act No. 01-80 that basically changed the benefit allowance for MERS members covered by social security; and effective October 1, 2001, reduced the pension vestment period from ten years to five. There was a good deal of concern at that time of the financial impact this would have on the member municipalities. When the Clerk/Treasurer of the Waterford Retirement Commission called to address that Commission's concerns, she was assured that the fund had a healthy balance and could absorb the actuarially defined costs associated with these enhanced benefit level changes. And essentially in its first year of implementation, there was none.

Subsequently however, the following traces back Waterford's impacts since that time:

<u>FISCAL YEAR</u>	<u>SERVICE RATE POLICE & FIRE</u>	<u>SERVICE RATE GENERAL EMPLOYEES</u>	<u>EMPLOYEE RATE</u>
2004	4.25%	3.75%	2.25%
2005	5.25%	4.75%	2.25%
2006	7.75%	6.25%	2.25%
2007	8.00%	6.75%	2.25%
2008	8.00%	7.00%	2.25%
2009	8.25%	7.00%	2.25%
2010	9.75%	7.50%	2.25%
2011	13.75%	9.50%	2.25%
2012	16.37%	11.56%	2.25%
2013	16.65%	11.79%	2.25%

The resultant increases from FY04 to the present reflect a 291.8% increase in employer contribution for Police and Fire Personnel and a 214.4% increase for General Employees. In addition to that the administrative fee for both active employees and retirees has increased from \$90 per individual to \$115 per individual per year. Surprisingly, the benefited parties, the employees' share has not increased since the MERS was formed. This unusual burden on the tax payers to fund this benefit on top of paying 6.2% of salary to FICA and another 1.45% of salary for Medicare has strained municipal budgets.

Lastly, the Waterford Board of Finance would like to express its displeasure over the fact that the entities most deeply affected by the recommendations to the legislature involving benefit enhancements or even review and comment on the actuarial assumptions being used to fund the MERS plan, have no representation at the State level. Our Board feels strongly that municipal fringe benefits should align to those in the private sector, especially since municipal employees' wages are now equal to or better than those in the private sector.

We feel the burden of fully-funding MERS is not the sole responsibility of the taxpayer. We would urge a change in the legislation to allow for increasing the employee share to a level commensurate to the benefit derived. Additionally, we are of the opinion that overtime should not be included as "pay" when determining Final Average Pay.

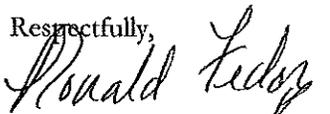
In summary, the Waterford Board of Finance would like you to advocate on its behalf for the following;

- 1) Initiate legislation to increase the employee percentage from the existing 2.25% of salary to a more realistic percentage. Perhaps this could be phased in over a short period of time.
- 2) Remove overtime from the calculation of "pay for retirement purposes"
- 3) Advocate for municipal representation on the State Retirement Board

As Chairman of the Waterford Board of Finance, I am soliciting your support in promoting the three requests mentioned above. We feel strongly that municipal representation on the State Retirement Commission will lend an informative perspective to the decision-makers—the State Legislature.

Your consideration of this request will be greatly appreciated.

Respectfully,


Ronald R. Fedor, Chairman
Waterford Board of Finance

Enclosure

RRF:rab

Cc: Daniel M. Steward, First Selectman
Kevin Brunelle, Chairman, Retirement Commission
Thomas J. Dembek, Moderator, Representative Town Meeting
Richard F. Muckle, Majority Party Leader, RTM
Andrea F. Kanfer, Minority Party Leader, RTM