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February 25, 2014

To: Labor and Public Employees Committee of Connecticut State Legislature

Subj: SB 219 – An Act Concerning Municipal Employee Retirement System
Contribution Rate

Thank you for the opportunity to place this testimony in the public record for consideration in favor of SB219, An Act Concerning Municipal Employee Retirement System Contribution Rate even though I am not able to make the public hearing on this proposed Act on Thursday February 27, 2014.

As part of my testimony I have included a copy of a letter that the Chairman of the Waterford Board of Finance has sent to our local legislators and to key members of the Legislature and the Executive Branch of State government regarding the Municipal Employee Retirement System (MERS) and the contribution of both the employer (Municipality) and the employee to the system.

The key changes the Waterford Board of Finance desires to see to the MERS are:

- 1) An increase to the employee percentage from the existing 2.25% of salary to a percentage equal to the employer's share. This increase could be phased in over a short period of time.
- 2) Remove overtime from the calculation of "pay for retirement purposes"
- 3) Change legislation so that municipal representation is required on the State Retirement Board.
- 4) Consider increasing the vestment period from five to ten years.

From 1998 until 2006, although higher than the legislated employee contribution, the employer contribution was a reasonable 3% to 6% for general employees and 4% to 8% for Police and Fire employees. Since 2009 there has been a steady increase in the employer contribution so that in 2014 the employer contribution is 11.98% for general employees and 16.96% for police and fire employees. In actual dollars this has meant that the Pension contributions for Waterford have increased from \$1,753,214 in FY2009 to \$3,121,121 in FY2014 (about \$275,000 per year). The State Retirement Board generally states the reason for the large increase is the poor performance of the investment portfolio.

These annual increases have become too much for the Waterford taxpayer to afford without some contribution from the employee. Unfortunately, the Town has also determined that withdrawal from the MERS is also cost prohibitive.

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In conclusion, I urge the committee and, ultimately, the General Assembly and the Governor, to approve SB219. A bill that gradually increases the employee contribution will be a significant step in improving the MERS. Adding the other two recommended changes to this bill would be even better.

Thank you for your attention to this testimony.

Sincerely,


John W. "Bill" Sheehan
Member, Waterford Board of Finance

Attachment:

Letter from Chairman, Waterford Board of Finance dtd December 19, 2013