

FIFTEEN ROPE FERRY ROAD



WATERFORD, CT 06385-2886

December 19, 2013

The Honorable Cathy Osten
Chairperson Labor and Public Employees
Legislative Office Building
Room 3800
Hartford, CT 06106

Dear Senator Osten:

Over the past several years, the Town of Waterford experienced a tremendous budgetary increase in the cost of providing retirement benefits as a member of the Municipal Employees Retirement System.

In September of 2001, the Retirement Commission notified members, after the fact, of the enactment by the legislature of Public Act No. 01-80 that 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. The following traces back Waterford's impacts since 2004 when participation rates began to increase:

<u>FISCAL YEAR</u>	<u>SERVICE RATE POLICE & FIRE</u>	<u>SERVICE RATE GENERAL EMPLOYEES</u>	<u>EMPLOYEE RATE</u>
2004	04.25%	03.75%	02.25%
2005	05.25%	04.75%	02.25%
2006	07.75%	06.25%	02.25%
2007	08.00%	06.75%	02.25%
2008	08.00%	07.00%	02.25%
2009	08.25%	07.00%	02.25%
2010	09.75%	07.50%	02.25%
2011	13.75%	09.50%	02.25%
2012	16.37%	11.56%	02.25%
2013	16.65%	11.79%	02.25%
2014	16.96%	11.98%	02.25%

The resultant increases from FY04 to the present reflect a 299.1% increase in employer contribution for Police and Fire Personnel and a 219.5% increase for General Employees. In addition to that, the administrative fee for both active employees and retirees increased from \$90 per individual to \$115 per individual per year. Surprisingly, the benefited parties, the employees' share has not increased since the formation of MERS. 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 continues to strain municipal budgets.

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We feel the burden of fully-funding MERS is not the sole responsibility of the taxpayer. We 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.

The Waterford Retirement Commission would like the State Retirement Commission to consider increasing the vestment period from five to ten years, realizing that the increase would have to be prospective, affecting only new hires. The ten-year vestment period is representative of private plans, and actuarially could reduce the plan's liabilities dramatically.

Lastly, the Waterford Board of Finance would like 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, to have 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.

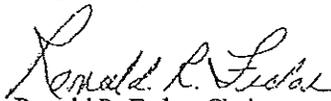
In summary, the Waterford Board of Finance requests you to advocate on its behalf for the following:

- 1) Initiate legislation to increase the employee percentage from the existing 2.25% of salary to a percentage equal to that of the employer's share. 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
- 4) Consider increasing the vestment period from five to ten years

As Chairman of the Waterford Board of Finance, I am soliciting your support in promoting the four 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 is greatly appreciated.

Respectfully,


Ronald R. Fedor, Chairman *RRF*
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