

Labor and Public Employees Committee  
Senate Bill 219  
Testimony of Tom Landry  
Town Administrator  
Town of Weston

Testimony in support of amending S.B. 219 to provide a new tier for CMERS reflective of the State's Tier III pension plan.

### **SERS vs. CMERS**

The Legislature created both the State Employee Retirement System (SERS) and The Connecticut Municipal Employee Retirement System (CMERS) in the 1940s. Prompted by fiscal necessity, the Legislature has adopted many significant and cost saving revisions to the State plan over the years. The original Tier I plan has been replaced with Tier II (1984), Tier IIa (1997), and Tier III (2011). For some state employees, the Legislature also introduced a non-traditional pension benefit with the creation of the Hybrid Plan and the Alternative Retirement Plan. These many alterations have been enacted to keep the State's pension plans financially viable and current with pension design trends.

No such updates have ever been made to the CMERS plan. As a result, CMERS currently imposes a financial burden upon its member communities which is similar to the unsustainable characteristics of the State's old Tier I plan. Some of the outmoded aspects of the current CMERS plan which need to be revisited are:

1. **Retirement Age.** The CMERS system retains a low normal retirement age of 55 ( 50 for Police/Fire) compared to age 63 or 65 (dependent upon total service time) for Tier III employees.
2. **Vesting Period.** CMERS has a five year vesting period for pension eligibility as compared to ten years in the State's Tier III plan.
3. **Earnings Period.** CMERS retirement benefits are calculated on the three highest earning years versus five years in the newer State plans.
4. **Contribution Rates.** CMERS utilizes no differential in the contribution rate between general and hazardous duty employees. The State Tier IIa and III plans do provide for a differential between these groups of employees ( 2% vs. 5%).
5. **Benefit Rate.** CMERS provides a 1.5% benefit level per year of service as compared to 1.33% for the state plans enacted after Tier I.

### **LOCAL REVISIONS PRECLUDED**

Typically, items such as retirement plan benefit levels, contribution rates, and enrollment eligibility in Connecticut municipal pension plans are negotiated by the parties. This is not the case in CMERS, as Legislative restrictions preclude the possibility of making any changes in the plan through the local collective bargaining process. CMERS is administered by the State Retirement Division based upon the requirements of direct statutory language.

Burdened by the financial demands of CMERS participation, the Town of Thompson sought, and won the right to introduce a different plan for new employees from a State Labor Relations Board arbitration panel in 2012. After this decision was released, the Town received a letter from the Commission informing it that statutory restrictions did not permit such action and prohibiting the Town from bargaining for a separate retirement plan for its new employees. The Commission confirmed that Legislature is the only permissible source of adjustments to the system.

### **NEW CMERS TIER NEEDED**

While the Legislature has recognized the need to make changes in its own retirement plan many times over the past 30 years, it has never implemented such revisions for CMERS. Consequently, the cost for the governmental participants in CMERS has more than tripled in the last decade.

Creation of a new tier for CMERS which mirrors the State's current Tier III plan is a prudent and appropriate amendment of S.B. 219. Such a provision is long overdue and would provide meaningful financial relief to the 112 CMERS participating governmental entities (49 municipalities and 63 various housing authorities, health, fire, and regional school districts). It also permits those entities to continue to offer a traditional pension plan to its future employees.

Thank you for your consideration.