CONNECTICUT CONFERENCE OF MUNICIPALITIES
THE VOICE OF LOCAL GOVERNMENT
CCM 2014 Testimony
900 CHAPEL STREET, 9th FLOOR, NEW HAVEN, CT 06510-2807 PHONE (203) 498-3000 FAX (203) 562-6314
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LABOR & PUBLIC EMPLOYEES COMMITTEE

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The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent 156 towns and cities, representing over 95 percent of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

HB 6931, "AN ACT CONCERNING NEW MUNICIPAL EMPLOYEES AND THE MUNICIPAL EMPLOYEES RETIREMENT SYSTEM"

HB 6931 would, among other things, modify the Connecticut Municipal Employees Retirement System (CMERS) by providing municipalities an option to offer any employee hired on or after October 1, 2015, a defined contribution plan – "provided such plan has been subject to collective bargaining between such municipality and any labor organization representing such employee or member."

As reported by CCM each legislative session, the costs borne by CMERS participating municipalities have quadrupled since 2002. Such a defined benefit plan requires prudent adjustment in order to be financially sustainable. However, participating agencies and municipalities are precluded from implementing any changes to CMERS, as revisions are not subject to the collective bargaining process. Only the State Legislature has the authority to enact adjustments to CMERS.

To this end, CCM has long advocated for updating CMERS for the overall financial sustainability of the system, while also ensuring that the benefits of valued municipal employees are not compromised. Therefore, **CCM supports the intent of HB 6931 – however, urges the committee to amend the proposal by establishing a new tier within CMERS**, modeled after the State Employees Retirement System's (SERS) tier III, for new municipal employees – which would maintain a defined benefit plan, as outlined in this testimony.

Background:

- The Connecticut Municipal Retirement System (CMERS) was created in 1947 and is authorized under chapter 113, part II of the Connecticut General Statutes.
- It is the public pension plan provided by the State of Connecticut for participating municipalities' employees, and is **supported solely by the contributions of municipal governments, their employees, and fund earnings.**
- There are **currently 112 governmental entities in CMERS**, with almost 8,500 active employees in the plan, another 6,500 retirees, plus 1,000 more that are retired and eligible to collect but have not yet begun to do so.

- **CMERS receives no state funding** and is administered through the State Comptroller's office.
- Plan benefit levels, contribution rates, and enrollment eligibility in municipal pension plans are typically negotiated by the parties however, this is not the case in CMERS, as **changes to CMERS are not subject to the collective bargaining process.**
- The **State Legislature is the only permissible authority to amend the CMERS system.**
- State lawmakers have made adjustments to the State's defined benefit retirement plan to keep it financially viable (notably 1984, 1997, 2011), but have not made adjustments to the municipal system.
- Towns and cities are technically permitted to withdraw from CMERS, but are restricted from realizing any financial benefit by doing so. This has handcuffed towns that seek efficiencies, and is antithetical to the CMERS's core mission of providing sound and efficient retirement benefits.
- As a result, the costs borne by CMERS participating entities have increased significantly, **as employer (municipal) contribution rates have quadrupled since 2002**, and the cost to CMERS participating entities now exceeds those which the State deemed unsustainable for itself under the State's old Tier I plan thirty years ago.

The fact remains: the cost to CMERS participating municipalities now exceeds those which the State deemed unsustainable for itself under the State's old Tier I plan thirty years ago. Some of the aspects of the current **CMERS plan,** that **should be updated for new municipal hires, and modeled after the State's Tier III plan,** are outlined below:

State Retirement Plan – Tier III (est. 2011)	**CMERS** (est. 1947)
Retirement Age: 63 or 65	Retirement Age: 55 (50 for Police & Fire)
10 year vesting period	5 year vesting period
Benefits calculated on 5 highest earning years	Benefits calculated on 3 highest earning years
Distinction of "hazardous duty" employees	No distinction of "hazardous duty" employees
1.4% benefit level per year of services (since 1984)	1.5% benefit level per year of service

***Estimated Savings*:**

- Total salaries within CMERS for July 2013 to June 2014 equals approximately $485.85 million.
- For the coming year, rates will vary between 10.91% and 16.73%, leaving total employer contributions to be approximately $60.9 million.
- Assuming a 4% turnover rate – 4% of new employees' salaries would be $19.4 million (of $485.85 million).
- Employer contributions, assuming the same weighted distribution among the four employee categories, would be approximately $2.44 million.
- **Conclusion:** **<u>Estimated savings</u>** by establishing a new tier within CMERS that maintains a defined benefit plan for new municipal employees, modeled after the State's Tier III, **<u>would be approximately $1.2 million per year</u>.**

CCM urges the committee to **amend HB 6931** to establish a new tier within CMERS, for new municipal employees that would maintain a defined benefit plan, **and to favorably report the bill.**

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If you have any questions, please contact Robert Labanara, State Relations Manager for CCM, at rlabanara@ccm-ct.org.

Encouraging Bias Against Women; Threatening Flexibility and Innovative Work Arrangements

Generous paid leave proposals are sold as a boon for women because women are more likely to utilize these benefits to care for newborns, sick children, and aging parents. Yet there is a flip-side to this: Employers inevitably know that female employees will be more likely to opt into this program and use the extensive paid leave benefits, and therefore will be more reticent to hire women, particularly for leadership positions.

These are not just theoretical risks. European countries offer women extensive paid leave time, but European women appear to pay a price in terms of workplace opportunities. For example, they are far less likely than their American counterparts to be in managerial positions. Fourteen percent of American women workers are managers (compared to 15 percent of American men); just 5.9 percent of European women workers are (compared to 12.2 percent of European men).

Encouraging the move toward one-size-fits-all leave programs also ignores that workers have different needs and preferences when they face the need for time off or have increased personal obligations. Some prefer to work from home or utilize reduced or flexible hours, rather than exit their jobs entirely. Employers may be willing to accommodate workers' needs, but also have needs of their own, and would benefit from being able to explore arrangements other than lengthy periods of complete absence.

I've seen how such considerations and trade-offs work in practice, both as an employer and as a working mother. I've worked for the Independent Women's Forum (IWF) for more than ten years, during which time I've had five children. I've had different leave packages based on my needs and the organization's needs, following each of those births. Now as a manager, I help make employment decisions: We've hired a woman just months before her due date and multiple young women, knowing that it is highly probable that they will have children and need accommodations. In each case, we've been able to find a unique mix of benefits and work expectations based on their preferences and job duties. Some have preferred to move to a part-time status, while some have wanted a leave of absence, and others have just needed additional flexibility. Our organization has worked to accommodate those preferences, but have also occasionally asked that employees be available to answer questions or for emergencies. Honest conversations and negotiations have allowed us to make myriad arrangements work.

Rather than encouraging the development of innovative, win-win solutions, a state entitlement program would cut off those conversations and create a more rigid work environment that is less easily tailored to individual needs. The result would be fewer employment opportunities across the board, and particularly for women seeking leadership positions.

Targeting Assistance to Those in Needs

Many workers don't have the luxury of negotiating employment contracts with a conscientious employer. They have few work options and tight budgets, making their situations desperate.

That's why policymakers ought to focus their attention on providing additional financial support to those who truly face hardship: workers with lower incomes who lack adequate paid leave benefits. For example, lawmakers could consider changing the unemployment insurance programs to provide temporary assistance for qualifying workers in need of leave time, or augmenting other financial support programs for those with low incomes. The goal should be to find ways to alleviate hardship by providing income support to those who are economically vulnerable, but without changing long-term work incentives or making them less attractive hires for employers.

Importantly, the best way to make sure that all workers have the benefits that they want and need is to create a growing economy with plentiful work opportunities so that workers have a variety of options and a stronger negotiating position so that they can craft the compensation packages they prefer. Therefore, policymakers should consider how to improve the overall business climate—by lowering taxes, reducing red tape and costly mandates—so that employers and workers have more resources and the freedom to negotiate the work arrangements that make the most sense for them and their families.