



Testimony on Governor's Bill 882

Submitted by Isabel Blank, External Affairs Manager

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Good afternoon distinguished members of the Planning and Development Committee. My name is Isabel Blank. I am Manager, External Affairs at the Yankee Institute for Public Policy, and I am writing to testify in support of **Governor's Bill 882: An Act Concerning Municipal Arbitration and the Municipal Employees' Retirement System**. For questions or follow up, please contact me at isabel@yankeeinstitute.org.

Like the state, many of Connecticut's towns and cities are struggling financially, especially our cities.

Connecticut's four major poor cities owe about \$4.8 billion in retirement-benefit related obligations. Costs associated with servicing these obligations are rising more rapidly than revenues, creating a "crowd out" effect in budgets. Their mill rates rank among the highest in the state and are rising.

Hamden had one of the worst funded pension plans in the country. The pension was only 10 percent funded and owed \$400 million toward the fund. In Hamden's case, former Mayor Scott Jackson wanted to move new hires into a defined contribution, 401(k)-style plan, and he secured agreement from the union representing town employees. Unfortunately, state statute does not allow municipalities to opt out of MERS.

MERS also does not allow for only part of a town's workforce to be enrolled. It is an "all-in or all-out" scenario. The town cannot make a new retirement plan for new employees unless they withdraw all employees from MERS and cover the full liability costs for all employees.

Hamden's contribution was expected to grow from \$1 million per year to \$20 million by 2040, along with other municipalities' contributions which are also expected to rise.

The fund is clearly in trouble and continuing to endanger participating municipalities—like Hamden—that can't even leave the plan. MERS already gives a much more generous benefit than SERS and hasn't been adjusted like SERS has in recent years. Employees can retire earlier and with a more generous benefit.

If we trap municipalities in a plan like MERS, we must ensure that the plan is sustainable. The bill before you helps to do that.

The increases in employee contributions in MERS that this bill provides is a great step in helping our municipalities take control of the skyrocketing pension costs they face. It also increases employee contribution to levels similar to those of our neighboring states.

For these reasons, we urge you to support this bill.