

## Remarks of Marc Nelson - Elected Employee Representative to the Municipal Employee's Retirement Fund – at a Public Hearing held before the Court of Common Council, June 17th, 2013

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1. For three straight years the City has added to fund balance – the so-called rainy day fund. Our ability to do that has to be attributed to staff, to city employees, to all of us and you who work together throughout the year to reach the best outcomes possible during challenging times. For the last two years, this Council and the Mayor have succeeded in passing a budget that calls for no MIL rate increase. Our bond rating is steady, interest rates remain low, and there are signs that the economy is growing – slowly but with some consistency.
2. It's true that the ARC – the City's required contribution to the Pension Fund – has risen sharply over recent years, but that increase was mostly caused by the decline in the markets a few years ago, and losses to asset value on the investment side, not because of increases to the City Payroll totals. In fact, this year we've seen some savings due to actual payrolls coming in lower than estimated at the time this year's ARC payment was calculated.
3. Overall, the MERF is about 80% funded, quite a strong balance sheet when compared to other pension funds around the Country. By contrast the State of CT Pension Fund is somewhere around 50% funded, I understand.
4. When accounting for losses and gains, the MERF "smooths" the value changes over a five-year period, and we have about one more year of smoothing ahead of us before we will have completely accounted for those investment losses I just mentioned. As a result, if you review the actuarial studies of the MERF's consultant 'Hooker and Holcomb', increases in the ARC start to level off, and even decline slightly in the not-too-distant future. In other words, our pension fund is strong and getting stronger, not weak and getting weaker – we should be proud of that.
5. The City employees who will be impacted by this Ordinance if it passes, are not part of collective bargaining groups, so this change is relatively easy to make. But that's exactly why it doesn't need to be made now. One of the arguments for passage is the 'shared sacrifice' argument we've heard a lot about lately – the City needs to do this before it can reasonably expect the bargaining units to sign-on to increases. But that's not true either when you really think about it. This is an Ordinance – you can't make it contingent upon the unions agreeing to similar increases. On the other hand, when you negotiate with the unions you absolutely can say, as part of any agreement, that their acquiescence will be contingent upon non-union employee contributions being raised as well. That's the better way to do this – and armed with that contingent agreement, Council could then revisit this legislation –
6. Some of the employees this Ordinance will affect have not had raises in years. Over at least the last couple of years, including this year, they've given furlough days, and increased their workloads as other positions have remained unfilled or been eliminated – their healthcare contributions will be steadily increasing as well. The timing of this couldn't be worse for morale at a time where we're trying to improve customer service, attack important problems in the City and refresh accountability in City government. On the surface it looks like a good thing to do – any cost-cutting measure seems good on the surface - but this would be counter-productive right at this moment.

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7. I understand that Council may be forming a Task Force to study the City's pension plan. I'd like to respectfully suggest that this Ordinance not be passed now, but that the issue be referred to that Task Force for review... That would send a strong message to our City employees that, while Council is prepared to act when necessary, it also recognizes the value, hard work, and service to the community that these employees provide. Thank you.

Public Hearing Remarks