



TESTIMONY

of the

CONNECTICUT CONFERENCE OF MUNICIPALITIES

to the

PLANNING AND DEVELOPMENT COMMITTEE

Municipal Pensions Options

March 10, 2010

The Connecticut Conference of Municipalities is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 90% of Connecticut's population. We appreciate this opportunity to testify on the following bill of interest to towns and cities:

CCM supports R.B. 5031, "An Act Reducing Costs to Municipalities". Contained in this bill is a proposal that would provide for *municipal pension reform through development of an alternative benefits plan.*

Municipalities, like the State, face a burgeoning problem of paying for post-employment benefits for retired employees. In many municipalities, municipal pension funds are underfunded. GASB accounting rules have created further problems for non-pension retirement benefits.

According to one study, there are at least 24 municipal entities with more than 40% underfunded pensions; an additional 23 with pensions between 30%-40% underfunded.

This is not a problem that can be ignored. A new state program should be a "defined contribution" plan into which new hires can be enrolled. With a defined contribution plan, municipalities would better be able to control costs and do financial planning. We do not lightly say that benefits for employees should be reduced – but it is no longer sustainable to have a population of citizens with defined contribution plans paying taxes to support one class of employees with traditional defined benefit plans.

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Municipalities need options and tools with which to approach these problems.

This proposal – to find a lower-cost state alternative pension system for new hires – promises long-term savings and a reduction in the chronic problem of underfunding.

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If you have any questions, please call Ron Thomas or Gian-Carl Casa of CCM, at (203) 498-3000.

Attachment