

State of Connecticut

DENISE L. NAPIER
TREASURER



Hartford

May 3, 2016

The Honorable Joseph P. Ganim
Mayor
City of Bridgeport
999 Broad Street
Bridgeport, CT 06604

Re: *Bridgeport's Proposal to Modify Contributions to the Municipal Employees' Retirement System*

Dear Mayor Ganim,

Following your recent presentation to the State Employees' Retirement Commission, my Office has had an opportunity to conduct a preliminary review of the City's proposal to restructure the amortization schedule for contributions to the Municipal Employees' Retirement System ("MERS"). Thank you for sharing with me your letter of April 29th to legislative leadership, a helpful explanation of the additional analysis the City has undertaken.

While the Treasury does not have a formal, statutory role in the review of this proposal, as is the case with a municipality's issuance of pension deficit funding bonds, I must, nevertheless, share my observations with you directly concerning the potential impact – both immediate and long-term – on the overall health of the MERS.

Leaders at both the municipal and state level are grappling with extraordinary budget pressures that have prompted sobering assessments of long-term liabilities. It is evident that you have endeavored to offer a proposal that would keep intact the City's contributions to MERS for current retirement costs while providing some flexibility in how it pays down past unfunded liabilities. The flexibility you seek, however, could put the integrity of the plan at risk. The primary reason the MERS is as well-funded today is because municipalities have been required by law to contribute what is annually deemed necessary by the plan's actuaries. Moreover, to grant relief to Bridgeport from its current 30-year amortization schedule for MERS -- particularly given that the General Assembly provided the City relief in 2012 from full payment of contributions to its own pension plan -- raises issues of basic fairness, and any restructuring ought to be systematic and across the board for any participating municipality.

The Honorable Joseph P. Ganim
City of Bridgeport
May 3, 2016
Page Two

Given the potential that other MERS participants may seek a comparable restructuring, there should be an independent analysis by the plan's actuary of the impact of funding changes on the overall health of the fund before any participant is granted a deferral. This is consistent with my longstanding view that the General Assembly must have a full appreciation of the actuarial costs of any changes in pension plan design or funding policy before they are implemented. It is my recommendation, once again, that the Legislature establish such a standard in any future consideration of proposed changes to MERS' amortization payments in the interest of protecting the plan's well-funded status.

Sincerely,



Denise L. Nappier
State Treasurer

cc: The Honorable Martin M. Looney
Senate President Pro Tempore

The Honorable J. Brendan Sharkey
Speaker of the House

The Honorable Bob Duff
Senate Majority Leader

The Honorable Joe Aresimowicz
House Majority Leader

The Honorable Len Fasano
Senate Minority Leader

The Honorable Themis Klarides
House Minority Leader

Mr. Peter Adomeit
Chair, State Employees' Retirement Commission