

Proposed changes to the ERS?

Good morning members of the Finance and Personnel Committee. Thank you for allowing me to the time to speak on the pension issue.

My name is Carmelo Patti and I am an employee elected representative on the Employees' Retirement System board. I was elected by active members throughout all city departments. I don't represent just the Police, Fire, Forestry, Sanitation, MPS or any other city Employee. I represent ALL employees active and retired and their beneficiaries for the current and future success of the fund. The success of the fund plays a vital role in the success of the city. Which we all should share a common interest in. The current make-up of the board allows for mutual discussion and oversight of the process by both the employees and the City- The plan sponsor. This process has worked well for many years. It has worked so well that the collaborative effort has resulted in our fund being rated one of the best funded pension systems in the country, and was identified as such, by the Pew Charitable Trust. Why try and fix something that isn't broken!!

This is a system that both the employees and elected officials should be proud of. It is this way because of the current arrangement. We are not Detroit Chicago, Illinois or any other fund that has massive problems. We should be proud of this accomplishment!

What is the rush in changing the make-up of the board?

I have been informed that this change may have something to do with the questionable DDR's (Duty Disability Retirements) in the Police Department. If that is the case, I have expressed my take on that and I believe most people on any side of the aisle would agree with me, fraudulent DDR's should be dealt with. The pension system has a process of dealing with these claims and they should follow that process. That process has been identified and a legal opinion was given to the ERS board at the November meeting. I further expressed my points of view during November's Pension board meeting when Alderman Murphy was present.

I have also been advised, another "possible" reason for change, is that there are no General City employees on the board, therefore they are not represented. Well, back to my opening remarks. I, as well as all active, elected members of this

board represent ALL members of the fund. Why, as it stands now would it be better for the board, the city or the fund to designate the elected positions to certain groups? Why shouldn't all members be able to decide for themselves each year, who the best candidate is to represent them regarding pension issues. Every employee should be able to vote each year on who it is that would best represent them. Not once every four years.

What does this do besides make the operation of the fund more expensive? What's the benefit? In an era of cut, cut, cut to government services and staff, why add three more appointees?

Why wasn't an independent consultant hired or a study conducted to give a recommendation and identify best practices? The why!! The city and the ERS often times rely on consultants to determine significant changes to policy.

Let me remind you the money in the Fund is the EMPLOYEES deferred compensation, not the cities. The money in the fund was put there due to good faith bargaining in lieu of increased wages. Police and Fire personnel do not receive Social Security and as such, their pensions are their only source of retirement income.

There have been many years the city had a very low or no contribution to the pension system due to the positive investment returns. The city use to require a certain percentage of the employees wage to be contributed to the fund and a similar percentage was contributed by the city. The city eventually agreed to pay the employees share instead of wage increases. This has come full circle and new hires do contribute their portion into the system.

Why increase the size of the board? What is the reason for such a change?

Look at Detroit 20 years ago. Thought to be a well-funded, stable, pension plan. Fast forward to today. Those recipients may only get 20 cents on the dollar. I don't want any of your future compensation to be tampered with.

What is the harm in discussing the issue? Don't be afraid of the employees. We want the ERS and the city to be successful and healthy. We want to correct issues of fraud and abuse. So talk to us. We may disagree from time to time but you may be shocked to know we may also AGREE!!!!

I ask for you to reject the proposed changes. I look forward to working with you.
Thank you for your time.

Carmelo Patti

Employee Elected Board Trustee

Employes' Retirement System