

May 18, 2005

To Whom It May Concern:

The current PERS/TRS debate has brought to light many problems with the current system. One of these is the liability assumed by borough and municipal governments by allowing city council, school board and assembly members to participate in the PERS system.

Many of these members are minimally compensated (\$50-\$300 dollars a month in most cases) so a very small amount is paid into the PERS/TRS fund to cover their future benefits. An employee's benefits are determined based on an average of their three or five highest salary years but the liability to each employer is based on the number of years of service with that employer. The years of minimal payment can create a significant liability for the employer. An example would be someone who was a city council member for 10 years and later (or earlier) worked for the state for five years at a more regular high salary. Upon collecting retirement and medical benefits the city would be liable for 10/15 of the entire retirement/medical liability. This contributes significantly to the liability the pension system now faces as a result of rapidly rising medical costs, increased life expectancy and other inaccurate actuarial assumptions. While we are taking measures to address these issues, the local and borough governments need to discuss whether they want to continue to accept such liability by providing these arrangements.

The long hours and hard work of our public officials is greatly appreciated. Nevertheless, the uncertainty posed by this unstable and increasing liability can directly affect the services which borough and local governments provide. I encourage you to discuss a resolution disallowing the participation of minimally compensated "employees" in the PERS system. Please feel free to contact me at the office if you would like to discuss this matter any further.

Thank you for your consideration of this matter.

Sincerely,

Representative Paul Seaton