

# United States Senate

WASHINGTON, DC 20510-2102

July 27, 2005

Mr. Timothy A. Bassett  
Chairman of the Board and Executive Director  
Essex Regional Retirement Board  
491 Maple Street  
Building 200  
Danvers, MA 01923

Dear Mr. Bassett:

Thank you for your letter expressing the Essex Regional Retirement Board's concerns on mandatory coverage of state and local employees in the Social Security system. I appreciate hearing from you on this important issue and I understand the Board's concerns. I am not for any changes to the Social Security system that undermine the guaranteed benefit that it currently provides. In addition, I believe that requiring state and local employees to be covered under Social Security does very little to address solvency.

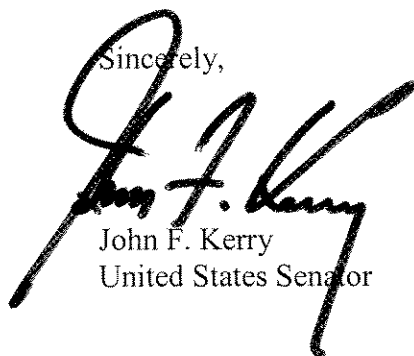
As you know, many state and local employees are in the Social Security system, but nearly 7 million are not and many of these employees reside in Massachusetts. Instead, they participate in public pension plans designed to replicate Social Security's basic retirement and disability protections. For most of these state and local plans, sound management will allow nearly five million state and local retirees, including those in Massachusetts, to receive satisfactory retirement benefits.

Forcing public employers and employees to pay payroll taxes of 6.2 percent each, on top of the pension contributions they already make, would create a significant added expense for workers and employers. A study by the Segal Company actuaries estimates that the cost to the public employers and their employees for the first five years of mandatory coverage would be over \$26 billion.

Officials from both the Social Security Administration and the Congressional Budget Office have testified before the Senate Finance Committee that contributions from public employees would only add a small amount to the Social Security trust fund, only extending the solvency of the fund for an additional two years. This is not worth the transition issues that would result.

Thank you for sharing your concerns with respect to mandating that these public pension plans become a part of the Social Security system. Please do not hesitate to contact me again about this or any other issue of importance to you.

Sincerely,

A handwritten signature in black ink, appearing to read "John F. Kerry". The signature is stylized with a large initial "J" and a long, sweeping underline.

John F. Kerry  
United States Senator