

Make publicly funded pensions sustainable

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The Daytona Regional Chamber recently hosted an "Eggs and Issues" breakfast meeting on government pensions. Based upon the information presented, the recent study done by the **Halifax Area Civic League** and my experience with pensions while serving as mayor of Ormond Beach for eight years and as a state representative since 2010, I believe the escalation of unfunded-pension liabilities for our police and firefighter pensions will continue to increase until significant reforms including many of the following adjustments are made:

- We must standardize the maximum defined "benefit multiplier" for all government employees (right now, it varies, and is approximately 3.34 for Ormond Beach police and firefighters) to the same 1.6 used for teachers and other employees who are not in a special class. When additional special-class contributions are authorized, they should be made into 401(k)-type defined-contribution accounts, thus creating a hybrid where government guarantees the defined benefit (with the 1.6 multiplier) and the employee has the risk or reward for the investment results of the defined-contribution portion.

This would reduce the taxpayers' risk by lowering the guaranteed portion. It also provides a reason for an employee to continue employment with the governmental agency after their training is complete, by maintaining a portion of the benefit in the defined-benefit program. But employees could take a portion of their pension fund with them (the 401(k) portion) should they leave government employment without being fully vested in the defined-benefit portion of their pension.

- If an employee does not spend at least half their years of service in the same salary classification as they are in at the time of retirement, their defined-benefit calculation will be based upon the average of the 10 highest years, rather than only the five highest years, to avoid calculating the full pension benefits on a different scale than was used to calculate the contribution into the fund while employed in a lower job classification.

- There should be no overtime, sick time, leave time or extra (private) details factored into the pension calculation.

- The rate of return used for the actuarial analysis must be reduced from 8 percent to 4 percent (even though the actual rate of return for many plans has hovered around 1 percent for the last five years). This will increase the unfunded liability and require increased employee and taxpayer funding, but it will result in a more-accurate projection and require cooperation among all parties to appropriately fund the pension to assure sustainability.

- In order to preserve the pension rather than terminate the plan and distribute available funds on a prorated basis because the pension is determined to be insolvent, the burden to reduce the unfunded-pension liabilities must be shared by the employers (taxpayers), increasing their annual contribution. In their turn, employees should accept reduced benefits and/or increased contributions.

- The state must eliminate the 1999 mandate that premium tax dollars from fire- and auto-insurance policies be used to provide extra benefits for police and firefighter pensions and allow local governments to use these premium tax dollars to fund existing benefits.
- Cost-of-living adjustments (COLAs) should be not allowed from a pension plan that is at least 90 percent funded.
- We must remove the automatic "presumption" of job-related disability for some employees (such as automatically assuming that a heart attack is job-related even if a firefighter smokes and is 50 pounds overweight). Pay benefits only when a disability or early medical retirement is determined to be job related by the preponderance of the evidence.
- We must not allow elected officials to take years of elected government service with them to a high-paying government job at the end of their careers, which greatly escalates their pension benefit. Elected officials should not be eligible for pensions, but should annually receive the value that otherwise would have funded their pension contribution, to avoid career decisions based upon pension benefits.
- Change the early-retirement options for public-safety personnel. In spite of the anecdotal evidence that firefighters need superior pensions because they "retire at 48 and die at 53," the California Public Employees' Retirement System used 10 years of data (1997-2007) and determined that the life expectancy of public-safety workers is actually slightly higher than the life expectancy of miscellaneous members.

Since it is not verifiable that our police and firefighters die sooner than other employees, no government employees should begin to receive the guaranteed-for-life defined-benefit portion of their pensions prior to reaching the age of 65 (whether they work until age 65, or stop working sooner, knowing they will not receive their pension until age 65) . For those employees who wish to begin to receive the guaranteed defined-benefit portion of their pensions prior to age 65, they must agree that the defined-benefit portion of their pension along with any survivor benefits will terminate after 20 years.

I'm quite sure there are other concepts that will need to be evaluated as we work to protect both our outstanding public employees and our taxpayers. I sponsored a pension bill last year which passed in House committees and was prepared to pass the full House during the 2012 legislative session. But due to the strength of the unions in Tallahassee, the pension-reform bill got tangled up in the Senate leadership power struggle and did not progress in the Florida Senate.

Hopefully, more state senators will be willing to join with our state representatives to stand up to the unions in the 2013 legislative session to remove state mandates and enact significant pension reform.