

REIGN IN GOLD-PLATED GOVERNMENT SALARIES &
BENEFITS NOW OR THE HARD WORKING CITIZEN
WILL GET THE SHAFT - AGAIN!!

States Sink in Benefits Hole

By Amy Merrick

State governments face a trillion-dollar gap between the pension, health-care and other retirement benefits promised to public employees and the money set aside to pay for them, according to a new report from the Pew Center on the States.

States promised current and retired workers a total of \$3.35 trillion in benefits through June 30, 2008, said the report from the nonprofit research group, a division of Pew Charitable Trusts. But state governments had contributed only \$2.35 trillion to their benefit plans to pay current and future bills, the report said.

The Pew report said its estimate of the funding gap would likely prove conservative, because it didn't account for the massive investment losses pension funds suffered during the second half of 2008. Although there was a slight rebound last year, it wasn't nearly enough to cover the previous losses, Pew said.

Researchers compiled the data by reviewing each state's comprehensive annual financial report for fiscal year 2008, which for most states ended June 30, 2008. They also looked at pension-plan annual reports.

The pension problems started well before the recession. Even in good times, states were skipping pension payments, leaving larger holes to fill in future years. State legislatures also increased benefit levels without setting aside extra money to pay

for them.

As a result, annual pension costs for states and participating local governments more than doubled, to more than \$64 billion, from fiscal 2000 to fiscal 2008, said Susan Urahn, the research group's managing director.

"We have a significant problem now, but it's a problem that can be solved," Ms. Urahn said. "If states wait, eventually they will have an unmanageable crisis on their hands."

Investment returns won't be enough to make up the shortfall,

The report suggested that states consider lowering benefit levels and increasing the retirement age for new employees.

she said.

Illinois has the largest pension-funding gap, with only 54% of the necessary contributions made to pay promised benefits to current and future retirees, the Pew report said. Kansas, Oklahoma, Rhode Island and Connecticut are close behind, with less than 65% of their pension benefits currently funded.

Experts recommend that states set aside each year at least 80% of what actuaries say will be necessary to cover benefit payments. In 2008, only four states—Florida, New York,

Washington and Wisconsin—had fully funded pension systems, the Pew report said.

In addition, states generally have little set aside to cover retiree health-care and other non-pension benefits. The Pew report found states, on average, have funded only 71% of these expected costs, and 20 states have no money in reserve for the bills.

The report suggested that states consider lowering benefit levels and increasing the retirement age for new employees. In the past two years, 10 states increased required employee contributions to their benefit plans, the report said.

State budgets are so troubled that most don't have extra money to make up for missed pension contributions. With revenue consistently lagging behind forecasts, state governments are cutting spending, increasing taxes and imposing new fees to eliminate deficits.

The National Conference of State Legislatures says it doesn't expect state finances to improve for at least two years. Thirty-five states are projecting a combined budget gap of \$55.5 billion for fiscal year 2011, which begins July 1, 2010 for most states, said Corina Eckl, the group's director of fiscal programs.

Raising taxes to fill pension coffers would be a difficult sell to taxpayers, Ms. Urahn said.

Public-sector employees in California and other states are facing a growing backlash from residents who are having their own benefits stripped by employers.

WHY SHOULD HARD WORKING AMERICANS PAY FOR THE GOLD-PLATED BENEFITS OF THE POLITICAL RULING CLASS AND THEIR MINIONS?

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