

# THE GATHERING PUBLIC-SECTOR PENSION STORM IN HOLLYWOOD COULD DROWN TAXPAYERS IN DEBT

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## Document Text

Let's say I owed you \$1,000, but only had \$500.

Would you be nervous?

Not if I was able to get the \$500 by hitting up everyone in the neighborhood for an extra buck.

This is where we are with public-sector pensions in many South Florida cities. Underfunded and overgenerous - no problem. Local governments will just soak taxpayers to ride out the storm.

To get a glimpse of the pension monster that threatens to swallow municipal budgets, all you had to do was catch the latest Hollywood commission meeting last week.

The city is on the verge of approving a new three-year contract with firefighters. Politicians, administrators and union officials are portraying it as some sort of victory for reasonableness.

The new deal does feature some major concessions, mainly coming from the pockets of future employees.

Mayor Peter Bober says it's a step in the right direction and that the excesses of the past can't be undone in a single contract. Union head Russ Chard said, "We've more than met the city halfway."

But some critics, led by commissioner Beam Furr (a school teacher and lifelong union supporter), wonder if it's too little too late. "You're heading toward insolvency," he warned.

Furr says the changes merely shave the tip off the iceberg the city is sailing toward.

As of Oct. 1, 2008 (when the Dow was still at 10,600), the firefighters pension had unfunded liability of \$107 million. It had assets of \$95 million, only 50.2 percent of its projected obligations.

Throw in police (\$118 million) and the city's general employees (\$112 million) and the city has \$337 million in unfunded pension liability. The city's annual budget is roughly \$180 million.

More than \$30 million from the city's stretched budget will go toward pension obligations in the next fiscal year.

Add it all up and you've got day-to-day services and quality-of-life taking a hit for the sake of gold-plated benefits that seem relics of another era.

And most politicians seem too scared to take on powerful unions and push for bigger concessions.

"The walls of the temples ... are about to crumble," said Charlotte Greenberg, a Hollywood resident who heads the Broward Coalition, a group of condo and homeowners' associations. "We can't afford business as usual."

As much as the public appreciates police and firefighters, resentment is clearly building. It's one thing when generous pensions come from investment results and equitable contributions. It's another when taxpayers have to subsidize nearly the whole gravy train.

Current Hollywood firefighters get full retirement benefits after 23 years, with a defined monthly amount based on their highest three years of earnings, including overtime, comp time and accrued annual leave. The new contract also gives them annual 2.5 percent raises.

If they're in the early-retirement program, they get an additional lump sum that's guaranteed an eight-percent annual return. Under the new deal, future enrollees will settle for six or four percent.

Hollywood's pension plan requires firefighters to contribute eight percent of pay, as opposed to the state system in which employees pay nothing. But the city's funding share keeps rising. In 2001, the city paid 15 percent. Now it's up

to 73 percent.

Meanwhile the firefighter pension assets fell \$23 million (nearly 20 percent) last year, thanks to the start of the stock market crash and payouts that exceeded projections.

My point isn't to single out Hollywood firefighters, but to use them as an example of a broader issue. Many cities give similar deals to public-safety workers.

Residents across South Florida need to start paying attention and asking hard questions of their leaders. The underfunded, overgenerous pension cycle won't be broken until we take action.

Until fundamental change comes - or the markets stage a miraculous rally - local taxpayers could have the worst of all worlds. We'll have to pay them now, and pay them later.

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#### **Abstract** (Document Summary)

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