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Raymond T. Edmondson Jr.: Public employee pensions are far from lavish

Raymond T. Edmondson Jr.

My View

Editorial writers and columnists elsewhere in Florida have lambasted public pension benefits in recent months, declaring that public pension plans are a relic of out-dated economic models and provide overly generous benefits. The standard argument is that taxpayers are footing the bill for lavish retirement benefits for public employees who are living high on the hog at taxpayer expense.

Portraying government employees as the "haves" and private sector employees as the "have-nots" is a creative, but inaccurate, twist on historical reality. This strategy is a sad new chapter in the painful story of an excruciating economic downturn that has negatively affected every citizen. It is a tactic that pits hard-working people on both sides of the pension net against one another to nobody's advantage, and a more balanced view of the facts is in order.

Claims that guaranteed pension benefits (called defined benefit plans) are no longer needed to attract and retain highly qualified professionals to the public sector are bogus. The American Federation of Teachers 2008 annual national survey of 45 professions revealed that, for the ninth consecutive year, public employee compensation lagged behind private sector compensation for the same jobs in all but four job categories.

Despite a lower average pay scale, public sector jobs still attract some of the best and brightest minds in a wide range of professions, precisely because of the security of guaranteed pensions.

And while a one-sided debate rages over the cost of these pensions, little attention has been paid to the important economic impact they have.

A 2005-2006 National Institute on Retirement Security analysis of the economic impact of public pension spending revealed substantial economic contributions by public sector retirees. Expenditures from those benefit payments supported \$1.3 billion in federal, state and local tax revenue in Florida, as well as 62,587 jobs and \$9.12 billion in economic activity.

Public employees also pay taxes, and most contribute a percentage of their earnings into the pension plan — unlike the private sector. They pay an additional 7.65 percent of earnings into Social Security and Medicare, benefits which they do not automatically receive.

The Florida Retirement System (FRS) paid \$6.5 billion in benefits to 322,173 retirees and beneficiaries as of June 30, 2008, from a pension system with assets totaling \$124.8 billion. The average pension benefit is \$1,354 per month, or \$16,248 per year — hardly a lavish income. Public pension systems vary slightly from state to state, but nationwide, 81.6 percent of pension plan payouts came from earnings on investments, while employees paid 5.9 percent and taxpayers paid 12.5 percent — a small price to pay for the myriad public services provided.

For years, private sector employers took full advantage of a booming stock market to pad the margins of their profitability by discarding the safety net of guaranteed pension plans for their employees. One need only look at the spectacular failure of privately funded 401(k)-style defined contribution plans caused by the most recent economic crisis to conclude that we don't need fewer defined benefit plans, but more of them.

Additional Facts

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- Check out a comparison of public vs. private compensation at www.aft.org/salary/2008/SalaryComparisons08.pdf.

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