

Paying For Pensions

Providence Journal Editorial

Last year, the Rhode Island General Assembly dropped pension reform like a hot potato as it crafted this year's supplemental budget. But Assembly leaders have vowed to pick it up this session.

Let's hope they mean it. The session ends June 30.

The pension issue is part of the real problem with state and local government costs — it's not that public employees are overpaid or that there are too many of them — it's that benefits — especially fat pensions (with very early retirements) and health care with small or nonexistent employee contributions are formidably expensive.

Certainly Rhode Island's public-employee pension system, markedly more generous than those of most states, is no longer sustainable, as number-crunchers have been insisting, from General Treasurer Frank Caprio to the Rhode Island Public Expenditure Council to the pension-reform panel convened by House Speaker William Murphy.

The speaker's panel recommended changes in pensions for 23,700 state employees and public-school teachers. The new retirement age would be 65, rather than any age after 28 years' work; and 3 percent compounded annual cost-of-living increases would wait until the retiree was 66. Very few private-sector workers get any COLA.

Furthermore, future pensions would be based on a five-year average of the employees' highest salary, rather than the current three. New employees would get a "hybrid" plan, combining a much-reduced defined-benefit plan with a new defined-contribution, 401(k)-style plan.

The proposed reforms generated rehearsed cries of outrage from the usual places. But, as the cost of paying the pensions begins to boost state deficits by hundreds of millions of dollars each year, it is becoming ever clearer that the current system — dramatically more munificent than most people in the private sector receive — is simply unsustainable. The money is not there, and the levels of taxation required to support it would drive away more taxpayers, putting Rhode Island even deeper in the hole.

And certainly citizens' blood pressure surges when they see public employees retiring as early as their early 50s with pensions that exceed most citizens' salaries.

The system was set up long ago, in 1939, to serve people who retired in their 60s. In the

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decades that followed, politicians rewarded their supporters by making the pensions much more generous. (No one seemed to represent the taxpayers at the table.) Now the system lets people retire in their early 50s after 28 years of work, and with their excellent health care, they can expect to live extraordinarily well on the taxpayers for about three decades more — with, in some cases, annual increases that exceed the rise in the cost of living, such as now!

As Rep. Timothy Williamson (D.-West Warwick), chairman of the pension advisory panel, pointed out this year, it is imperative that the state act now to make sure that public employees receive a generous but sustainable pension, rather than breaking the bank and leaving them nothing.

The Assembly would do the state, its employees and its taxpayers a big favor by starting to resolve this problem now, lest the current arrangement pose the peril of state bankruptcy.