The Day

EDITORIAL

Published on 9/22/2006

Fix The Pension Problem

State Treasurer Denise L. Nappier has a good idea in asking the legislature to bond $2 billion to begin closing a $5.1 billion shortfall in the state teachers' pension fund obligation. Bonding operating costs — which is what Ms. Nappier's plan would do —- is not wise on its face, but it is necessary now. After this commitment to fully fund the pension plan, the state should put in place a regular, systematic pay-down of the teachers' pension requirements out of the budget.

The legislature should set aside several hundred million dollars for the teachers' pension program in any year in which budget surpluses are forecast. In the past year, the General Assembly paid about $300 million to move the teachers' fund into better position.

But even if Ms. Nappier's plan receives the legislature's support, the $12 billion teachers' pension program still would be sharply under-funded. The plight for public employees speaks volumes about the lack of diligence in the legislature to make sure that teachers retiring in the future will have full payment on their pensions. It is a disgrace that the state lawmakers allowed the pension plan to fall into such disarray.

Connecticut isn't alone in this situation. All across America, city and state governing bodies have failed to provide enough money each year to assure that pension funds for government employees are meeting the future liabilities. A number of analysts think the shortage of pension fund commitments nationwide exceeds $380 billion. In the city of San Diego, public officials committed crimes connected to the pension fund and some are going to jail as a result. California's huge public employee force is worried because the pension fund there doesn't come close to meeting the obligations the state made in negotiating contracts with state workers. The pension plans there are under-funded by tens of billions of dollars.

Beyond pension shortfalls, many government agencies have failed to provide for post-retirement medical benefits. While less than pension obligations, the medical requirements represent another huge, unfunded medical plan obligations.

Cities and states should be using the normal accounting standards required of businesses. In fact, new federal laws require corporations to meet their pension obligations in fact, not fancy.

But bad public policy in many places does not justify the failure of Connecticut's government to assure that public employees receive the funds to which they are entitled. Treasurer Nappier's proposal is a step in the right direction. ■