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FLORIDA'S TREASURE COAST AND PALM BEACHES

Editorial: As private pensions evaporate, (padded) public pensions bleed taxpayers dry

Editorial Board

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Out of whack? You betcha.

Over the last decade, public sector salaries and benefits have grown while their private sector counterparts have withered.

Municipalities and companies alike have had to resort to layoffs, furloughs and salary cuts to balance the books. Yet public sector benefits packages have remained largely unscathed.

This disparity is most pronounced in the area of traditional deferred benefit pension plans. Simply put, they have almost ceased to exist in the private sector. Fewer than 15 percent of U.S. employers still offer them to workers, and that number shrinks every year.

Compare that with the 90 percent of the 20 million state and local government workers in this country who have managed to retain traditional pension plans.

Even as governments wrangle with increasingly problematic budgeting, public sector retirement and other benefits have remained a sacred cow.

Traditionally, the argument has run that while private sector wages and salaries tend to run higher, public sector workers get plusher benefits.

That may still hold true in a few professions — attorneys and engineers come to mind — it's not generally accurate in places like the Treasure Coast.

According to a 2009 study by the libertarian Cato Institute, U.S., state and local government workers earned an average $39.66 an hour in total compensation. Cato found public sector pay to be 34 percent higher and benefits 70 percent better than in the private sector.

Yet it is the increasingly beleaguered private sector that's propping up such largesse.

Matters are likely to get worse, as we begin to see increasing numbers of Baby

Boomers retiring over the next decade or two. The numbers become simply unsustainable.

A 2008 Pew Center report estimated a $1 trillion gap between the $2.3 trillion set aside by local governments to pay retirement benefits and the $3.35 trillion that had been promised.

One area of abuse has been the practice of “bumping up” pension benefits by offering overtime pay to senior staffers in their final years.

It’s an issue prominent in New York State (where Attorney General Andrew Cuomo has campaigned against it) and California, but there’s some evidence it happens here, too.

Some members of the “$100,000 Club,” profiled in stories in this newspaper a few months back benefited from this practice. At the St. Lucie County Fire District, for instance, several officers with base salaries well below the $100,000 mark exceeded that figure because of overtime payments. Their eventual pensions are calculated on their “highest five years” earnings.

Of course, you also have to ask why firefighters down to the rank of captain are receiving overtime pay in the first place. As supervisors, why aren’t they paid a salary?

Pension plans and other retirement benefits are promises paid to employees for years of service. Perhaps many of these promises are becoming simply too expensive for the public sector (and taxpayers) to bear.

Just as a mountain of union-garnered retirement perks almost brought down the U.S. auto industry, without some fundamental changes pension promises could do the same for the public sector.