



Bills tackle retirement shortfall

By **JOHN LAPLANTE**

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Want to get a government worker excited? Talk about pension reform. Want to put a non-government worker to sleep? Talk about pension reform.

Calm down, or stay awake, as the case may be, because this needs saying:

Many government workers in Louisiana get to retire long before retirement age. And that costs the taxpayers a lot of money.

Most private-sector workers trudge to the plant or office through their 50s and long into their 60s. When they stop working, they get a pension that's a fraction of their former paycheck.

State and school employees in Louisiana, and many local government workers, can call it quits as young as their late 40s, and frequently in their mid-50s. And they typically get pensions that approach their highest salary.

That giant perk of public service was OK when the state could afford it. But taxpayers are now putting about 19 cents into the state workers' pension fund for every dollar they pay a state worker in salary.

Private-sector workers pay that cost on top of the Social Security taxes they have to pay.

More importantly, all Louisiana taxpayers -- including the government workers and retirees themselves -- face an enormous unfunded pension liability of \$12 billion. That's how much the state pension systems need now to invest and pay promised benefits for future retirees.

The state doesn't have \$12 billion to spare. That's the cost of running all of state government for about eight months. So the state pays an extra \$560 million a year, on top of normal retirement costs, to gradually pay off that debt, according to the Public Affairs Research Council.

But those big payments don't even cover the interest on the debt. So it keeps growing anyway.

Imagine a home mortgage with payments too low to cover the interest, so the principal grows instead of slowly shrinking. Eventually, the homeowner would have to make massive payments toward that bloated principal, sucking

up money needed for food and clothing and other necessities.

That's how state Sen. Walter Boasso, R-Arabi, explains state government's impending plight.

"The system ... is on a crash course for bankruptcy," Boasso said last week. "By 2017 all you're going to have money to pay for in this state is health care and retirement costs."

He and House Retirement Committee Chairman Pete Schneider, R-Slidell, are pushing bills to trim pension benefits for future state workers. Everyone now working or retired would keep full benefits. Only new hires would be affected.

The two lawmakers' bills are different in major ways, but both offer a key feature: Workers couldn't get a pension check until they turn 60.

That's still lower than the traditional Social Security retirement age of 65, which is gradually rising to 67. Private workers can retire early, at age 62, but their Social Security checks drop 30 percent if they do.

Comparing Social Security to government pensions is tricky because they are so different.

For instance, private jobs typically pay more than similar government jobs. Many companies help workers build additional nest eggs. And Social Security recipients get inflation increases.

But private workers enjoy less job security, and their company-related benefits are usually not guaranteed. The state constitution promises retired state workers their full checks for life, no matter how broke the state gets or how poorly the stock market performs.

And state workers typically retire at about three-fourths of their pay while most Social Security retirees' checks are more like a third the size of their last paycheck.

Most importantly, private-sector workers pay into the system longer and thus draw from it fewer years than government workers. Asking a similar commitment from future government workers would eventually save taxpayers tens of millions of dollars a year.

That idea fell on deaf ears in the Legislature for decades. But this year, the House lopsidedly passed Schneider's bill with a 60-year retirement age. And a Senate committee unanimously sent Boasso's bill to the full Senate. Some version seems to have a chance of passing.

Schneider says it's not much to ask that future workers get somewhere near retirement age before they retire.

"Who could be against that?" he said.

John LaPlante is Capitol editor for The Advocate.

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