Analytics

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RE: More trouble ahead for State employees

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According to the Boomershine Consulting Group the long bull market has failed to fix public pensions. The simple truth is that the sums owed to retirees are accelerating faster than assets on hand to pay those future obligations. Liabilities of major U.S. public pensions are up 64% since 2007 while assets are up 30%.

Return on pension fund assets were slowed by the "dot.com" bust in 2001 and went South following the 2007-08 recession. Meanwhile, due to the accelerating retirement of the Baby-boomers and longer lifespans, the pool of pensioners is climbing at an exponential rate, while the number of active workers remains stable. Meanwhile, state and local governments have made only modest reductions in pension benefits while not failing to provide the required annual contributions to pension funds.

The State of Delaware reflects this pattern. Since 2009, the unfunded liability for the State employees pension fund has increased 1400% (from $83 million to $1.5 billion). The fund has gone from 103% funded to 86% funded. Over the same time period, the market value of the pension fund assets has risen just 68% (from $6.9 billion to $7.4 billion).

Compounding the growing crisis, from 2009 to 2018, the working members of the pension fund have risen 3% while the number of retired members has soared 42%. And the flood of Baby-boom retirees will continue for almost another decade.

While the $1.5 billion unfunded pension liability is dwarfed by the $7.5 billion unfunded healthcare liability to active and retired State employees, it is growing rapidly and the day of reckoning is coming. The State's (employer) share of annual pension payments has risen from 46% to 56% since 2009 and exceeded $260 million from the General Fund in 2018. Meanwhile, the average pension benefit has increased a total of 19% since 2009.

So, the State needs to take more and more money from the General Fund each year to pay pensions (and likely raise taxes), increase the annual pension contribution of active employees, or trim pension benefits.

Caesar Rodney has provided State employees with a user friendly overview of all the relevant pension data on its Pension Portal (https://www.caesarrodney.org/pension-portal.htm). Simply go to the CRI website (www.caesarrodney.org) and click on the "Pension Portal" tab.-

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