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RE: Why is the State stonewalling on pension data?

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When the Caesar Rodney Institute launched its Transparent Delaware website in March of this year, the intent was to include with the individual state payroll and vendor data, the most recent state pension data. The request for the pension data was denied on the basis of statute 29 Del c 8308 (d). That statute requires that all records relating to pensions and other post-employment benefits "shall be confidential."

Although this statute is unlikely to withstand a court challenge, CRI simply requested the most recent pension data without the names of individuals. After a long pause, the state again denied the request because it "may be possible to identify an individual from the data requested."

After being forthcoming with individual payroll and vendor data, why is the state stonewalling on pension data? There are three obvious reasons.

***First*, as clearly shown by analysis of the payroll data, all state employees are clearly not equal. In the case of supplemental pay (overtime and "other" pay) <u>40% of state employees receive no supplemental pay while 10% receive over half of all the supplemental pay.</u> Either there are substantial differences in job requirements, or some state employees know how to "game" the supplemental pay system.**

In every state where transparency websites have been established, it is the disparities and extremes in the pension data that have fueled public outrage. Certainly, based upon the 2010 payroll data, this would also be the case in Delaware.

Orlando George, for example, the highest paid state employee in 2010, would have received an annual pension of $273,000 if he had 30 years of state employment (including time in the legislature) and retired in 2011. This compares to an average annual pension for retirees with 30 to almost 35 years of employment of $31,632 in 2011. <u>The pensions received by the top 10% of state employees by payroll, again assuming 30 years of employment, would equal 63% of all the pension benefits paid in 2011.</u>

***Second,* many workers in the private sector would have been stunned by the size of the pensions for longer serving state employees. The pension of state employees retired with 30-34 years of service as of 2011 averaged 60% of their final salaries. For state employees retired with 35 years of service or more, it jumped to 66% of their final salaries.**

***Finally*, it behooves the state to not have the spotlight put on its retirement pension system. Using data from the pension system's annual reports, the trends of the last ten years appear unsustainable. <u>From</u>**

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<u>2001 through 2011 the total pension benefit payments increased 133%. Simultaneously, the value of the pension fund's investment portfolio rose only 34%.</u>
Over the same time period, the number of persons receiving state pension benefits increased 41% while the number of active employees rose only 18%.

To compound matters, the state has been short-changing the fund with respect to the required annual employer's contribution. The unfunded liability has gone from a surplus of $527 million in 2001 to a deficit of at least $456 million in 2011. The 2011 deficit will be substantially larger if the fund doesn't earn the assumed return on assets of 7.5% per annum.

The burning question is when are state employees going to wake up? The state government has been short changing the pension fund in order to sustain government spending without raising taxes. <u>Clearly, a day of reckoning will come…especially considering that private pension funds assume a return on assets of just 3.5% per annum (the 10 year Treasury bond rate).</u>

State employees have consistently met 100% of their necessary obligation to the pension fund each year. <u>They should ask themselves that when push comes to shove, will the politicians increase taxes to make the pension solvent, or will they reduce pension benefits?</u>

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