

State Retirement System Needs Help

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Since the start of the legislative session I've been studying the problems with the Public Employees and Teachers Retirement Systems (PERS/TRS) in an attempt to find solutions for the \$5 billion unfunded liability. As a demonstration of my commitment, I declined participation in PERS as a new legislator.

I've come to the conclusion that solving the unfunded liability problem will require all three parties to come to the payment table – the State, local government employers, and the thousands of active, non-retired employees who receive the generous benefits which are now costing much more to provide. There is a common belief that the only employees who can participate in the fix are the ones hired in the future under a new tier to be developed by the Legislature. Without question, a new tier is an essential component of the broader solution, but it isn't enough. It won't have a meaningful impact for a decade or more.

The PERS/TRS Boards, the Legislature and the Administration have been wringing their hands while the fund has slid another billion dollars under water. In an attempt to create an equitable plan to include existing non-retired employees in the \$5 billion unfunded liability solution, I've met with several Administration officials. Each time I've been told it could not be done because of a provision in our state Constitution and a 1981 court case. Following these conversations, I instructed my staff to pose the question to the Legislature's lawyers. Initially, they joined the administration saying it couldn't be done.

Constitutionally providing that the Legislature is forbidden to adjust benefits or beneficiary contributions, even to reflect dramatic changes in costs or to protect the financial viability of the system, would mean that if the State hired a 25 year-old employee today, thus beginning a 60 year relationship (30 years active and 30 years retired), the state would be powerless to change anything. This seemed to me legally questionable and managerially absurd. After I requested in-depth legal research, our Legislative lawyers offered an initial legal opinion that convinces me the Legislature may well be permitted to make changes to the plans that protect "accrued" benefits, but allow us to include active PERS/TRS members as contributors to the PERS/TRS solution.

In an effort to involve current non-retired employees in the solution, I'd start by recognizing that there has been a long-standing monthly payment-sharing scheme between our employers and employees. For example, until very recently, PERS involved roughly a 50/50 sharing between employer and employee in bearing the employees benefit cost. The legal opinion also suggests we may be able to require employees to come to the party on the health care side of the solution. Some folks in the Administration and some of my colleagues may not like this approach. Our public employees are a sizeable voter bloc, and the unions that represent them are a powerful lobbying force. There will undoubtedly be political pressure, and perhaps even a lawsuit, to prevent this measure. I am confident we will be able to build broader support among the general public and the boroughs/municipalities if our comprehensive plan to fix PERS/TRS brings all affected constituencies to the table. I believe if the employees and unions take a long-term view they may support active beneficiaries paying a fair share to get their retirement and health care programs back in good financial therefore the long term.

The public should demand no less than a detailed long-term plan for a solution to the PERS/TRS problems before the Legislature adjourns in May. I've been asked by House leadership to help formulate a PERS/TRS solution and to coordinate with efforts in the Senate. I'll be very reluctant to forego involving active employees in this solution. For more information, including a copy of the legislative legal opinion, please visit my website at www.akrepublicans.org.