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Maryland joins crowd of states considering pension changes

By Len Lazarick

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More states enacted major legislation changing retirement benefits for their employees in 2010 than in any year in recent times, a national pension expert told Thursday's first meeting of a new commission set up to help Maryland join the crowd.

Nineteen states passed major pension legislation in 2010, said Ron Snell of the National Conference of State Legislatures, who has been following state pension issues for decades. "There has never been a year in which state legislatures have been active so much," Snell told the newly created Public Employees' and Retirees' Benefit Sustainability Commission.

State legislatures were concerned about their pension obligations before the recession caused the widespread budget problems, he said. But the fiscal crisis has certainly pushed them to take action, along with the severe investment losses, Snell said.

The commission met in a House of Delegates hearing room packed by representatives of employee and teacher unions, along with state officials and lobbyists for counties and municipalities.

Senate President Mike Miller, one of strongest advocates for changes in how the state pays for pensions, gave the seven-member commission a pep talk as the session started.

He called the mounting payments into pensions for state workers and teachers "a fire bell clanging in the night" and "a cancer" on the state budget.

"This is a daunting task," Miller said. "The General Assembly was not able to solve it this year."

Miller had pushed to have the counties pick up more of the funding for the pensions of the teachers in their school systems, but that effort failed in the House.

Miller noted that a report by the Pew Center for the States this year found that Maryland one of the eight lowest states in the funding of its future pension liabilities, currently estimated at \$18 billion. He also quoted from rating reports on Maryland bond issues by Moody's and Standard & Poor's citing concerns about the state's retirement system.

The new pension panel is a select group headed by former House Speaker Caspar Taylor.

"I feel confident we will solve this problem," Taylor said. But it is important to "get all the special interests in the state into that same boat."

Barbara Hoffman, former chair of the Senate Budget and Taxation Commission, said, "Politics is not the job of this commission. I hope we will come with a solution that is fair to everybody."

While the commission has been given a full year to complete its work and come up with recommendations, Taylor said there is pressure for them to propose changes for the 2011 session of the new legislature. "I am skeptical that we can make it," Taylor said.

Thursday's session was mostly taken up with a briefing by legislative staff on employee compensation and a comparison of the employee retirement systems around the country.

After the hearing, Sue Esty, legislative director for the American Federation of State, County and Municipal Employees, said, "It is clear that Maryland is not extreme in any way" in its retirement benefits, which are "comparable to other states."

She said AFSCME's main concern was that the state not make changes that will "harm the running of state government."

Rai Douglas, president of the AFSCME unit representing parole and probation officers, said, "We have no problem hiring parole and probation agents, but have a problem retaining them," as they move to the federal government and surrounding states for higher pay.

"If you affect our pensions, we'll have problems retaining agents," Douglas said.

The Daily Record

Maryland begins potentially painful pension process

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By *Nicholas Sohr*

Daily Record Business Writer

ANNAPOLIS — Maryland began on Thursday a nine-month process to examine its underfunded pension system while many of its neighbors and other cash-strapped states across the country have already altered retiree benefits.

The 50 states combined were \$1 trillion short of the amount needed to cover retiree healthcare, pensions and other benefits at the end of 2008, according to a Pew Center on the States report released in February. And in 2010, 19 states decided to act.

"There has never been a year in my memory when more states have enacted such significant retirement legislation than 2010," said Ron Snell, of the National Conference of State Legislatures.

Some of the states shifted from defined benefit programs, like pensions, to mix in aspects of defined contribution plans, like a 401(k). Others raised employee contribution efforts without increasing benefits, and some increased age and service requirements necessary to retire.

Maryland's \$34 billion pension fund has struggled under the weight of investment losses not only in the most recent economic recession, but in the recession that followed the bursting of the tech bubble earlier in the decade. Lawmakers created a commission in the spring to examine the issue and craft a strategy to rejuvenate the system.

“It’s a fire bell clanging in the night,” said Senate President Thomas V. Mike Miller Jr., D-Calvert and Prince Georges, addressing the commission at its first meeting. “It’s a cancer on our budget. It needs to be addressed.”

Casper R. Taylor Jr., chairman of the **Public Employees’ and Retirees’ Benefit Sustainability Commission**, said he doesn’t expect the group to produce results that can be acted upon by the **General Assembly** in January.

“All we did was open the book today,” said Taylor, who was Speaker of the House of Delegates from 1994 to 2003.

The commission will look at both sides of the equation of retiree benefits — both the way the system is funded and the type of benefits that are doled out.

A final report isn’t due until June, but unions representing state workers are already voicing their opposition to potential changes to the benefits their members enjoy.

“Above all, it’s key to keep experienced employees in the state government, and that will only exacerbate the turnover problems the state already has,” said Sue Esty, assistant director of the Maryland chapter of the **American Federation of State, County and Municipal Employees**, which represents 30,000 state employees.

Commission members acknowledged the difficult balancing act of recommending changes to what state employees contribute to their retirement, and to what they receive.

“It was an extremely difficult political task” to enact changes to the pension system, said commission member Barbara A. Hoffman, former chairwoman of the powerful **Senate Budget and Taxation Committee**.

Said Taylor: “Once we get in the boat ourselves, we have to find a way to get all the special interests in the state in that same boat with us.”

Miller simply called it a “daunting task.”

The pension fund was about \$18 billion short of what it will need to cover future benefits at the end of fiscal 2009, and federal stimulus funds due to expire in less than a year have propped up teacher pensions. In Maryland’s current budget, \$422 million from the American Recovery and Reinvestment Act was used to fund education, with \$240 million going to pensions.



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