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Group Calls on Governors to Freeze Pensions

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ALEXANDRIA, Va., Feb. 21 (LID) – A nonpartisan state budget think tank has called on the nation's governors to freeze defined-benefit pensions for all public employees, citing unfunded pension liabilities of about $4 trillion.

State Budget Solutions (SBS), in an open letter to governors, urged the states' chief executives to follow General Motors Co. and freeze employee pension levels and implement 401 (k)-type plans for employees, just as the Detroit automaker announced last week for some 26,000 U.S. workers.

"Corporate America isn't always right, but eventually they have to acknowledge the light of reality. GM is a beacon that your administration must follow," SBS President Bob Williams said.


Williams

Unfunded liabilities, if left unaddressed, will require "crippling" tax increases and service cuts, said Williams, a former Washington state legislator.

"Across the country, states have understated their true unfunded pension liabilities because lax government accounting rules allow it," he said. "As a result, the plans are severely underfunded and will adversely impact every state budget for decades. Without major reform now, those liabilities will continue to grow."

Transitioning to defined-contribution plans for public employees reduces risk to taxpayers, gives workers greater control over their retirement savings and provides "a reliable" cost estimate for state budgeting, the Alexandria, Va.-based budgeting think tank argued.

The 2011 Pew "Widening Gap" study found that as of mid-March 2011, states' cumulative liability for pension benefits would grow to $4.6 trillion, with an unfunded liability of $2.4 trillion.