

# Municipal pensions: a ticking time-bomb

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We bought it as part of the "American dream" – work hard, and then retire with a generous pension to enjoy the good life, but the concept was broader than America and unsustainable anywhere in the world. People have rioted in the streets of France, Greece, the United Kingdom and elsewhere as governments enact "austerity" measures to rein in spending, including unfunded liabilities for employee pensions and benefits.

California may soon encounter similar protests as it likely becomes the first American state to declare bankruptcy next year. Our federal government faces related issues with Social Security, although it has the option to print money if needed.

Pensions have become a hot-button issue locally as well, whether in Venice, Sarasota, Manatee or Tallahassee. Unfunded pensions affect firefighters, police, teachers and other government employees.

The unstable pension situation has developed for two main reasons: 1) People are living longer, so pensions have to be paid out for many more years than anticipated. Further, they are living long enough to remarry, sometimes to younger spouses who require payouts far into the future. 2) Investments are highly volatile and cannot provide all the growth needed to meet future obligations.

Current municipal pensions are based on "defined benefits," a promise that cannot be kept. Those operating pension plans must follow the example of private industry, which converted its plans from "defined benefits" to "defined contributions." We as taxpayers must demand that our legislators develop a comprehensive, long-term solution if we are to chart a different course than California and Greece. Delay could be disastrous.

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## **BULLET POINTS:**

- The average county in Florida pays over 8 percent of its total expenditures for retirement funding.
- Total pension costs for the average county in Florida have increased 75 percent over the last six years.
- One study of the 50 largest cities nationwide estimated that their total unfunded obligation totaled over \$14,000 per local household.

Source: *Tough Choices Facing Florida's Governments*, LeRoy Collins Institute - FSU Campus, February 2011. <http://collinsinstitute.fsu.edu>