

Guest column: Pension politics threaten our public safety

By Thomas Malone Jr., Special to The Commercial Appeal

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The proposal by the administration of the city of Memphis to replace city employees' pension system with a defined-contribution plan makes it clear that they are trying to take away the hard-earned retirement benefits for all future employees and some current ones.

This radical change, if enacted, will not only undermine the firefighters who have risked their lives for the citizens of this city, but it also poses a direct threat to the safety of our community.

The case being made by Mayor A C Wharton's administration is based on misinformation and speculation instead of hard data. The independent actuary hired by the Memphis Fire Fighters Association used reliable data not subject to speculation.

The misinformation and speculation being spread by the city will hurt the people who have sworn to protect the public. The city hired a New York City-based accounting firm, PricewaterhouseCoopers (PwC), to issue a report that drastically overstates the unfunded liability of the firefighters' current pension plan. PWC's liability projections were figured high and the asset projections were figured low to make the fund look less sound than it truly is.

The PWC report explicitly states: "This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice."

Firefighters in Memphis make a decent wage for doing the most dangerous job in the country. A major reason we do this work that puts our lives and long-term health at risk, is the promise of a pension that ensures we have something to fall back on if we are hurt or killed in the line of duty.

Firefighters who are fortunate enough to make it to full retirement have only their pensions to rely on when they are no longer able to work as firefighters.

Remember that Memphis firefighters, unlike most workers in the country, do not participate in the Social Security program. The city negated the Social Security rights

of firefighters decades ago and formed the current pension plan. Without Social Security benefits, our firefighters rely solely on the pensions they were promised, which they began earning and paying for from their first day of employment.

The city pays 3.1 percent of its general fund budget into the pension fund, which is less than the amount contributed by many other municipalities in the United States. Morningstar Inc., a leading provider of independent investment research, reported that Memphis made the smallest pension contribution in 2012 of the 25 most-populous U.S. cities. The city pays less than private-sector employers pay into the Social Security system, and firefighters contribute more from their paychecks than other workers contribute toward their Social Security benefits.

The cost savings the mayor has promised would be nothing more than a reduction of employee benefits, which would have a negative effect on recruitment and retention.

In a Dec. 19 Viewpoint guest column in The Commercial Appeal, the mayor stated: “A defined-contribution plan is the only plan type that does not put taxpayers in the position of guaranteeing market returns.” But firefighters would never be able to get a return in the market, as they wouldn’t have enough invested to ever retire. Can you imagine a 70- to 80-year-old firefighter coming to your house on a call?

Two years ago, the employees who were not vested in the pension plan agreed to pay more into the system (\$450 million over 30 years) and the city agreed to match it, but never has. The city agreed that the new money in the plan, along with benefit reductions for new hires, would stabilize the plan, but now has changed its position.

We firefighters do not believe a \$32,000 annual retirement benefit should be considered too generous when we have risked our lives for the taxpayers of this city every day we suit up for this job.

The mayor has stated that his proposed 401(k)-style retirement plan would be portable, and he sees that as a good thing. Again we disagree, as that would only make the Memphis Fire Department a training ground for fire departments in the rest of the country — and especially for those cities close to us whose firefighters have both Social Security benefits and a defined-benefit pension plan.

The truth is that other large cities in Tennessee also have unfunded liabilities in their pension systems, yet somehow Memphis is the only one at risk of action by the state comptroller.

Memphians have been told that the firefighters agree there is a problem with the fiscal stability of the pension system, but our actuary’s report used the city’s numbers to arrive at conclusions that suggest otherwise. We believe there is a manageable solution to this problem the city is talking about; changing some assumptions and counting all the pension assets would allow a solution that requires fewer dollars than what the city has proposed.

The current pension plan is worthy of the fine men and women who fulfill their

promise to serve this city. Your firefighters deserve no less.

We are asking the real leaders of this city, the taxpayers, to support firefighters in this effort and let the Wharton administration know that you want and expect your firefighters to be able to retire with dignity. Not one firefighter is asking for more than was promised when they swore to protect this city — with their lives, if necessary.

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