

## Memphis Fire Fighters' consultant says city exaggerates pension woes

By Daniel Connolly

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Memphis Mayor A C Wharton and his staff say [the city's pension](#) is [badly underfunded](#) and that the government must take action to save it, including possibly reducing benefits.

But not everyone accepts that assessment.

The Memphis Fire Fighters Association, a labor union, has released a report from its own financial expert who says the city's experts made the situation look worse than it really is.

"We get some of the smallest benefits in the country," said union president Thomas Malone. "You're not going to be able to hire secretaries the way they're going. Let alone firemen."

Another key labor union, the Memphis Police Association, hired its own expert and hopes to receive a report this week, said its president, Michael Williams. Williams has said he believes Wharton's administration is manufacturing a crisis.

On Friday, the city's experts and union experts will discuss the numbers on a conference call. The point is to try to figure out why they disagree, said Wharton's chief administrative officer, George M. Little.

"We're still very much of the opinion that the city does face both short- and long-term challenges, and we need to go ahead and address the pension," he said.

The situation illustrates what happens when complex pension mathematics collide with politics. Municipal unions, which can mobilize votes and campaign contributions, hope to influence the 13 City Council members who would ultimately decide any change to the pension plan.

The pension isn't the only issue: The city also faces a [large shortfall in its trust fund to cover retiree health care](#). Any changes to these plans could influence how much taxpayer money the city contributes to the funds over a period of years, and could impact property tax rates.

Pension experts known as actuaries must consider variables including salary levels and death rates, and how much the city's stocks and other investments will gain on

Wall Street.

Small changes in assumptions can make big differences. For instance, the city's pension experts, PricewaterhouseCoopers, assumed that salaries for city workers would grow at 5 percent for years. The Fire Fighters hired consultant William B. Forna of the Centennial, Colo.-based firm Pension Trustee Advisors, who assumed that salaries for city workers would grow at 3.5 percent.

This and other assumptions led to dramatically different results. The city's experts concluded that as of July 1, the city would owe \$682 million more to retirees than it currently holds in its trust fund. The Fire Fighters' expert concluded the shortfall is \$301 million.

The Fire Fighters also argue that the city's pension plan is relatively cheap, and that the alternatives under discussion, including a 401(k)-style defined contribution plan, would lead to a dramatic drop in pension payouts for workers.

Little, the city's chief administrative officer, said he's seen the Fire Fighters' report and wasn't surprised. "I rather expected that they would end up in some different places," he said.

There's one point that everyone agrees on. Little said: The pension is underfunded because the city has consistently contributed less to it than financial experts recommended. In the current year, the recommendation was \$101.3 million, and the city is set to contribute just \$20.1 million. Both Little and the Fire Fighters' expert say contributions must increase.

Little said the mayor's administration plans to talk to the council about pension changes at a regularly scheduled Dec. 3 meeting..

He said before the administration representatives start talking about pension changes, they'll make the case that change is necessary. "In the parlance of recovery, you've got to admit you have a problem."

[Click here](#) to read the September report from the city's pension experts.

[Click here](#) to read the Nov. 7 report from the expert hired by the Memphis Fire Fighters labor union.

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