

Executive Director's Notepad . . .

Your Pension — Your Contract

The Dragon and the Villagers



From the desk of
William R.
Hartman Jr.,
Ed.D., PAESSP
Executive
Director

When I began teaching I knew that despite the expense of college I would not be paid as much as most college graduates or even some unskilled workers. In fact, my salary of \$6300 per year was \$11,000 less than my next door neighbor who worked as a laborer at the local steel mill. I knew that as a public servant I would never be rich, but I also knew that I had a contract with “trusted” employers, the state and the local district, which included an agreement to provide a pension that would allow me not to be dependent upon others when I reached retirement age. This contract has enticed many talented, intelligent people to choose a life serving children rather than one focused upon accumulating wealth.

Contracts are essential to the functioning of our capitalistic society. Every business person knows that contracts are meant to be honored. If contracts are not honored, our entire society would collapse. When you buy a home you sign a contract that requires you to pay the mortgage — you cannot choose not to pay because you want to use your money for other things. When you buy a car you sign a contract to pay for it; when capital venture organizations take over a business, contracts are signed to assure that parties have an agreement which clearly defines the responsibilities of all involved; and when you buy a government bond, you have a contract that assures the government will pay you. Contracts are promises made by individuals, companies, governments, etc. which legally bind and which assure that our capitalistic society runs smoothly.

Contracts are promises made by individuals, companies, governments, etc. which legally bind and which assure that our capitalistic society runs smoothly.

Recently, some legislators and the governor's administration have again begun to beat the drum on the “evil,” “costly” pension system which many public employees are entitled to because of the agreement they entered into with the state and their local agency. This “drumbeat” is a political preamble to finding a way for the state and local agencies not to meet their obligation to employees. It is

much like a private citizen condemning mortgage companies in an effort to forgo his/her individual agreement to pay what the contract requires.

It's a tried and true political technique. Create a dragon (*the evil pension system*), make people fear it, spread panic and then kill the dragon you created. This dragon was constructed carefully. It was created when the state and local agencies, over many years, failed to pay their portion, while increasing the portion employees pay. They created an underfunded system through their own neglect and willful actions — ignoring their commitments and using the funds to make other commitments for short-term political gain. For nearly a decade the state and local districts paid nearly zero into the pension system. Even during the last 10 years they are contributing only 59% of what actuarial tables indicate they should. You remember what actuaries are — they are the people that determine actual mathematical calculations that tell us when insurance companies, governments and others are not meeting their mathematical responsibilities to support their promises.

Continued on page ?

The Dragon and the Villagers

Let's take a look at the dragon that has been created. According to the PEW Center for the States, Pennsylvania's pension system funds 75% of its current liability. What you hear from the dragon builders is that we are facing a 118 billion dollar pension liability, what you don't hear is that it is 75% funded already. You also don't hear that pension systems funded at 80% are regarded as fiscally sustainable. This dragon is not as big as we once thought, yet we still hear the loud drumbeat intended to drive the villagers (*public employees and the public*) into a sense of panic and impending disaster. Next, we tell the villagers that they have no weapons to fight even the smaller dragon, and that their protecting kingdom (*the state*) does not have the means to kill the dragon even with the help of surrounding villages (*state collec-*

tive resources). The villagers are skeptical because they know that many resources are at the king's disposal — he simply refuses to use them (*Marcellus Shale, etc.*). This skepticism grows even more when the king informs the villagers that the only solution is to sacrifice the villagers. So as not to create revolt, the king informs the villagers that only the young (*new employees*) will be sacrificed. However, the next year he returns and informs the villagers that more is needed and therefore additional members of the village will be sacrificed — but they should not revolt because the elderly and more veteran members will not be touched. The villagers wonder who he might come for next year and hope it is not them. If only the villagers had stood up for one another. If only they had spent their time looking for ways to collectively kill this smaller dragon. If only they

had stood together rather than pointing to which group of villagers could be sacrificed next. If only, if only...

It is time that we unite and face this created dragon. It is time we identified it for what it is — a deception created by people who want to fail to honor their contracts and meet their obligations. It is time that we demand solutions that hold contracts sacred, just as our business community does and that we no longer accept the false premise that no weapons are available therefore the villagers must be sacrificed. We must use the weapons we have — our legislators, the courts, those that surround us, our votes, and most importantly, the consciences of those who value contracts to stand our ground.

It is time to stop finger-pointing to groups who "should" be sacrificed and stand together.