



Public Employee Unions prepared to do their part

Submitted Feb. 2, 2011 to the News Journal by State Workers United* - Tom Brackin, chair; Tim Barchak and Karen Valentine, co-chairs

This year's debate about the state budget will further define Delaware's priorities and the role that state government will play in helping all of us recover from the Great Recession of 2008.

We are encouraged by Gov. Jack Markell's invitation to join with his Administration and the General Assembly to find ways to ensure the long-term solvency and affordability of the fringe benefit programs provided to state and public education employees.

In his State of the State address, Gov. Markell called for debate without rancor. We concur wholeheartedly.

This is the time for a reasoned, thoughtful approach. One example suffices: *Bloomberg News* recently reported the incendiary comments of New Jersey Gov. Chris Christie that arguably caused that state to cut by one-half the amount of bonds sold for needed school construction. "He's scaring some people when he says the state is going bankrupt," commented Gary Pollack, of Deutsche Bank Private Wealth Management.

Unlike other financially troubled states, Delaware's public employees' health insurance and pension programs do not constitute a huge 'budget buster.' Our budget woes result primarily from the continuing effect of the Great Recession on state revenues.

Over the coming weeks, three major programs will be reviewed:

- Health insurance is a continuing challenge that must be monitored closely over the coming years, especially with the advent of the new federal health care law in 2014. Savings can be generated in the present system.
- Our pension system is financially strong and constitutes a major reason for our continued AAA-bond rating. Benefits are extremely reasonable. For example, our state and public education retirees do not receive a regular/automatic cost-of-living increase adjustment; in fact, retirees are now in their third consecutive year without one. Smart changes can be made to save money over the coming years.
- Post-retirement health insurance requires our immediate attention due to its rapidly rising cost and the increasing number of retirees. Delaware has been favorably recognized for the initial steps taken to address this challenge, but more must be done.

In April, 2010, Fitch Ratings issued a AAA-grading of Delaware's \$124 million bond issue, stating: "The state employees' pension system is fully funded and the state has taken steps to begin funding the other post-employment benefits (OPEB) liability." Moody's Investor Service followed suit, stating that the state has a "Healthy pension funded status."

Can the state afford nearly \$100 million this coming budget year for state and public education employee pensions? We believe it can. For each of the past six years, Delaware has spent between \$91-\$102 million for pensions. This averages 3% of the entire state budget, an amount below the national average.

The pension portfolio took a big hit in the stock market crash of 2008. However, investment returns have steadily recovered. On all other measures, our pension fund continues to perform better than

projected by underlying assumptions. The pension system can be secured with common sense changes to yield savings over the normal 20-year funding period. There is no current compelling reason to rush such important decisions, they must be well reasoned and carefully thought through.

Delaware does not face the same level of financial challenge that New Jersey, New York, California, and Illinois do. Gov. Markell and the General Assembly have made sound, difficult decisions to weather the current storm. But more work remains to be done.

We commend and support the Governor in his tireless efforts to attract and retain jobs. Recently, for example, he proposed a “significant funding [increase] for the Delaware Strategic Fund,” an initiative that will subsidize corporate investments in our state. If this initiative constitutes a needed program that will economically benefit our entire state, then isn’t it the responsibility of all Delawareans to fund it? Increasing benefits costs to state and public education employees should not be the source of these needed funds.

Our unions stand prepared, with the assistance of our actuaries, to analyze each of the three major benefit programs, and compare these benefits and what we pay for them with those of employees in this region and around the country. If changes are warranted, we will support appropriate adjustments.

Some have argued that public employees need to take ‘a hit’ in their fringe benefits similar to what unfortunately has happened to many private sector employees. We will not engage in this kind of ‘race to the bottom.’

State police, teachers, mental health professionals, highway workers, correctional officers, emergency service professionals, and many state and public school employees deliver high quality public services on which our citizens and businesses depend.

If the call for ‘shared sacrifice’ is to have genuine meaning, then it must extend beyond cost shifts on to the backs of public employees and poor and working families. The responsibility for building a stronger Delaware and guaranteeing our prosperity for the coming decades extends to all of us.

*State Workers United for a Better Delaware is a coalition of 13 state employee unions working together to improve the lives of their members and their members' families.

- Delaware State Education Association (DSEA) and DSEA-Retired - active and retired teachers, school specialists and educational support personnel
- American Federation of State, County and Municipal Employees (AFSCME Council 81) – public employees who provide a variety of public services
- Delaware State Troopers Association (DSTA) – Delaware’s state police officers
- Correctional Officers Association of Delaware (COAD) – the state’s correctional officers
- The State Lodge of the FOP - represents all Delaware FOP lodges
- FOP Lodge 3 – DNREC, ABCC enforcement agents and deputy state fire marshals
- FOP Lodge 10 – Probation and parole officers
- FOP Lodge 11 - Capitol police officers
- Communication Workers of America Local 13101 - workers at the Dept. of Safety and Homeland Security
- Teamsters Local 326 - security guards at the Port of Wilmington
- The Delaware Attorney Generals Investigators Association – criminal investigators who work in the Delaware Attorney General's office
- United Food and Commercial Workers Local 27 – Delaware Family Court employees
- Laborers’ Local 1029, LiUNA! Laborers’ International Union of North America – workers at the Stockley Center (Div. of Health and Human Services), Georgetown