

President's Message

The Broward Centurion, July 2005



In the past several months there have been many articles written about pension plans and how the cost of these plans have put a heavy burden on employers, i.e., United Airlines. In the 1970s there were over 112,000 defined benefit plans in the United States. Today there are less than 30,000 still in existence. Most employers have changed these plans into defined contribution plans so that they have no obligation except for the set contribution made on the employee's behalf.

For those that don't know the difference between a "Defined Benefit Plan" and a "Defined Contribution Plan," it is this: A Defined Benefit Plan is the typical pension plan that you have with the city and FRS. It guarantees the employee a percentage of his pay when he retires; the employer is responsible for contributing money to make the plan sound. A Defined Contribution Plan has the employer putting a set amount (say 8%) of the employee's pay into an account. The employee can then put the money into an investment fund. When the employee retires, whatever money is in the account belongs to the employee. The problem is you better be a good investor and hope the market does not take a turn for the worse when you decide to retire.

Elected officials would rather have a defined contribution plan so that they can remove their liability for funding your pension plan. I believe we as a union have to be wary of any politician that favors a defined contribution plan pension (i.e., governor of California). This is dangerous for our future. I believe that pensions are going to be the number-one issue that cities will attack in order to balance their budgets—on the backs of their employees.

Sincerely,
Dick Brickman