

## Pension funds need prudent administrators

John Topp  
*June 23, 2006*

As we age, our spirits can tire, and as we recognize that life here on earth is finite, we hope to feel a sense of accomplishment for what we have added to the world.

This is commonly referred to as retirement.

There has been talk lately -- and there will surely be more to come -- about budget problems in various circles with the primary target for blame being retirement benefit packages.

It may be that the benefits are not the problem but rather the administrative abuse of a good thing.

When pensions were initially created, the intent was to provide an income stream at retirement. Health care was a fashionable benefit that quite frankly was affordable and valuable to employees.

So what went wrong and where?

With pensions, investment returns accelerated, and the dollars needed to fund the promises made exceeded the need. The fatal blow for some groups came when asset levels increased beyond the economic value earned, and both corporations and employees felt entitled to a return of the excess to their respective groups. The benefit now had a new life as something other than a retirement security vehicle: It became a source for the possibility of increasing wealth, instead of ensuring security.

Many groups took the wrong paths for handling this newfound money. An example is Milwaukee County, where leaders made a decision to basically give the excess funds that were in the trust to the retiring employees in addition to the regular earned pension payments.

### Promises made

In health care benefits, the major concern becomes the promise made years ago to early retirees, when cost was soft and when the time to pay comes, the cost has been inflated off the charts, and the liability for many groups is not prefunded and will be paid out of current revenues.

Again, for Milwaukee County, the combination of these two items makes up the majority of the projected \$300 million shortfall.

The labor and management trustees of our local industry pension and health funds are prudent decision-makers and have retained top-shelf professional advice for properly funding and administering the various security-related plans for our employees.

Our industry members realize it is responsible, prudent and essential to first provide for, and then protect, the future security of the employees' retirement and health care promises. If we all make that our priority, we can make a worry-free retirement for everyone a reality.

*John Topp is the executive director of the Construction Labor Management Council of Southeast Wisconsin Inc. and the Building Advantage initiative.*