ROCK THE CAPITAL

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RockTheCapital.com ("RTC") has reviewed the long-term pension crisis which currently sits at $70+ billion in unfunded liabilities, or the funds the taxpayers owe.

This crisis has already reduced our credit rating. Crippling debt will eventually impoverish the state. The three main drivers of this crisis are the underfunding of the state's pension contributions, underperforming investments, and the unfunded increase in pension benefits.

This problem was an entirely man-made crisis because the pension scheme had a surplus as recently as 2001.

But politicians used this surplus money to pad pension benefits for government workers, especially for themselves, in the belief that there would never be another economic downturn. This helped pay for other items in the budget, but dramatically increased the pension liability. This budget fix has made our debt less secure, leading to a consistent downgrading of our credit rating.

Beginning with the economic downturn of 2001, the government and some school districts used this funding gap as a strategy to stop fully funding pensions.

This is like taking a payment holiday on your monthly credit card bill or mortgage payments. The Commonwealth stopped paying its required share into the pension pot, and the financial gap worsened with the 2008 recession. However, public employees continued to pay their pension contributions.

The pension crisis is going to have significant costs.

Either the taxpayers' burden will be increased, or state programs like education and infrastructure will be slashed. The main reason for the constant delaying of a solution is that the people who benefit most from this are the politicians who increased their own personal pension payout by 25% more than the typical government employee.

That means even though none of these benefits were paid for, there is a huge disincentive to fix the problem because politicians would have to adjust their own pensions.

RTC requested pension data this summer on the legislative class of 2015-2016. (Available on our web site) About two-dozen legislators are not listed because they have refused to take the pension. And many newly elected legislators have turned down their pensions. However, legislators don't want to fund the $70 billion debt because they would either have to cut spending, increase taxes or implement a combination of fewer programs with higher taxes.

Today we are releasing a pension guide that we hope helps legislators, the media, and taxpayers understand the different proposals enacted and proposed. The price of doing nothing is not an option, gimmicks won't work, and we all have to decide what we are willing to sacrifice to address this economic boondoggle.