

Cities Turn to State for Pension Relief

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Huntington and other cities are looking to the Legislature to help come up with a plan to deal with massive pension obligations.

Story by Walt Williams

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CHARLESTON -- City officials from around the state say their communities can no longer afford to cover the benefits of retired police officers and firefighters, so they are asking the state Legislature for help.

Specifically, they want state lawmakers to redirect a portion of state surcharges on insurance premiums to helping cities cover their retirement pension obligations. They also want to enroll new hires in new pension plans that help them save money.

If nothing changes, cities such as Huntington could have fewer police officers and firefighters on the streets as they are forced to cut back staffs because of increasing pension obligations. The city's last six police and fire department retirees will likely draw \$1.5 million each in pension benefits over the course of their retirements, even though each person made less than \$900,000 during his or her career, according to Deputy Mayor Tom Bell said.

"What happened here is we just can't afford to dedicate that amount of money" to pensions, Bell said.

Huntington is in the worst shape, but other cities around the state also are struggling to cover their pensions.

Collectively, city governments are facing \$700 million in unfunded liability thanks to what officials say are the generous benefits paid out of the firefighters and police officers.

The West Virginia Municipal League, which represents the state's cities, wants state lawmakers to meet in special session either in August or September to consider municipal pension reforms.

"The benefit package was a package that was designed by the Legislature back in a time when cities were flourishing and they had larger populations," said Lisa Dooley, executive director of the League. "The economy was doing well, and there was expected to be growth in the cities."

But cities such as Charleston have been losing their populations in recent years. There is a possibility that after the 2010 census, no city in West Virginia will have a population of more than 50,000, a rarity among states.

State requirements also help drive up the cost of covering pensions.

For example, police and firefighters can retire with full benefits at age 50, the reasoning being both lines of work often involve physical activities that become more stressful the older people get. But people now live much longer than they used to, so it is not uncommon for retirees to live more than three decades past their retirements, Bell said.

"The problem is the state couldn't add enough money to pay for these lucrative pension benefits," he said. "What we have to do is close that to new hires and adopt a more conservative pension plan."

The so-called "Huntington plan" would let cities do just that. It also would give them a 40-year re-amortization of their existing pension debts, meaning they would pay back the debts at higher rates but have more time to do it.

In addition, cities want lawmakers to redirect one-tenth of 1 percent of a state surcharge placed on property casualty insurance premiums to paying for the pensions. The money was directed to the state's Teacher Retirement System in the 1990s.

So far city officials have had little luck getting a pension reform bill passed the Legislature. Gov. Joe Manchin would need to call lawmakers into special session if they are to take up the issue before the end of the year. While Manchin has indicated he would consider that option, the governor's office has not said whether he would actually do that.

