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Rick Ungar

THE POLICY PAGE

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BUSINESS

The Wisconsin Lie Exposed – Taxpayers Actually Contribute Nothing To Public Employee Pensions

Feb. 25 2011 - 11:56 am | 375,639 views | 15 recommendations | 852 comments

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Pulitzer Prize winning tax reporter, David Cay Johnston, has written [a brilliant piece for tax.com](#) exposing the truth about who *really* pays for the pension and benefits for public employees in Wisconsin.

Gov. Scott Walker says he wants state workers covered by collective bargaining agreements to “contribute more” to their pension and health insurance plans. Accepting Gov. Walker’s assertions as fact, and failing to check, creates the impression that somehow the workers are getting something extra, a gift from taxpayers. They are not. Out of every dollar that funds Wisconsin’s pension and health insurance plans for state workers, 100 cents comes from the state workers.

[Via tax.com](#)

How can this be possible?

...forbes.com/.../the-wisconsin-lie-expo...

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RICK COMMENTED 24 minutes ago

“But how do you really feel? :)”

Posted to SENATOR RON JOHNSON'S WSJ OP-ED REVIVES DEATH PANELS AND MISLEADS ON HEALTH REFORM

RICK CALLED OUT 24 minutes ago

stevenv1999

Commented on SENATOR RON JOHNSON'S WSJ OP-ED REVIVES DEATH PANELS AND MISLEADS ON HEALTH REFORM

“Ron Johnson is slime and out of touch. I am more inclined to say he doesn't care and that it...”

RICK COMMENTED 2 hours ago

“Such nice words! Thanks...and I'm glad you're now following!”

Posted to OBAMA'S LIBYAN POLICY -- SUBTLE, LONG TERM & ABSOLUTELY RIGHT

RICK CALLED OUT 2 hours ago

garnet

Commented on OBAMA'S LIBYAN POLICY -- SUBTLE, LONG TERM & ABSOLUTELY RIGHT

“Rick, I just started following you recently. I must say that you seem to have a much better grasp on...”

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Simple. The pension plan is the direct result of deferred compensation-money that employees would have been paid as cash salary but choose, instead, to have placed in the state operated pension fund where the money can be professionally invested (at a lower cost of management) for the future.

Many of us are familiar with the concept of deferred compensation from reading about the latest multi-million dollar deal with some professional athlete. As a means of allowing their ball club to have enough money to operate, lowering their own tax obligations and for other benefits, ball players often defer payment of money they are to be paid to a later date. In the meantime, that money is invested for the ball player's benefit and then paid over at the time and in the manner agreed to in the contract between the parties.

Does anyone believe that, in the case of the ball player, the deferred money belongs to the club owner rather than the ball player? Is the owner simply providing this money to the athlete as some sort of gift? Of course not. The money is salary to be paid to the ball player, deferred for receipt at a later date.

A review of the state's collective bargaining agreements – many of which are available for review at the [Wisconsin Office of State Employees web site](#) - bears out that it is no different for state employees. The numbers are just lower.

Check out section 13 of the Wisconsin Association of State Prosecutors collective bargaining agreement – *“For the duration of this Agreement, the Employer will contribute on behalf of the employee five percent (5%) of the employee's earnings paid by the State.”*

Johnston goes on to point out that Governor Walker has gotten away with this false narrative because journalists have failed to look closely at how employee pension plans work and have simply accepted the Governor's word for it. Because of this, those who wish the unions ill have been able to seize on that narrative to score points by running ads and spreading the word that state employees pay next to nothing for their pensions and that it is all a big taxpayer give-away.

If it is true that pension and benefit money is money that already belongs to state workers, you might ask why state employees would not just take the cash as direct compensation and do their own investing for their retirement through their own individual retirement plans.

Again, simple.

Mr. Johnston continues-

Expecting individuals to be experts at investing their retirement money in defined contribution plans — instead of pooling the money so professional investors can manage the money as is done in defined benefit plans — is not sound economics. The concept, at its most basic, is buying wholesale instead of retail. Wholesale is cheaper for the buyers. That is, it saves taxpayers money. The Wisconsin State Investment Board manages about \$74.5 billion for an all-in cost of \$224 million. That is a cost of about 30-cents per \$100, which is good but not great. However it is far less than many defined contribution plans, where costs are often \$1 or more per \$100.”

If the Wisconsin governor and state legislature were to be honest, they would correctly frame this issue. They are not, in fact, asking state employees to make a larger contribution to their pension and benefits

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ABOUT ME

I am an attorney in Southern California, and a frequent writer, speaker and consultant on health care policy and politics. To that end, I am active member of the Association of Health Care Journalists. Based in beautiful Santa Monica, California, I'm very pleased to have the opportunity to be a contributor to Forbes. I've recently finished a book designed to make the health care debate understandable to the average reader, and expect it to be out in the next five months or earlier.
[See my profile »](#)

Followers: 246
Contributor Since: September 2010
Location: Santa Monica

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programs as that would not be possible- the employees are already paying 100% of the contributions.

What they are actually asking is that the employees take a pay cut.

That may or may not be an appropriate request depending on your point of view – but the argument that the taxpayers are providing state workers with some gift is as false as the argument that state workers are paid better than employees with comparable education and skills in private industry.

Maybe state workers need to take pay cut along with so many of their fellow Americans. But let's, at the least, recognize this sacrifice for what it is rather than pretending they've been getting away with some sweet deal that now must be brought to an end.

UPDATE: Since this post was published earlier today, many commenters have made the point that, while it is true that it is state employees' own money that funds the pension plan, when the pension plan comes up short it is up to the taxpayer to make up the difference.

There is some truth in this – but not as much as many seem to think. Because the pension plan is a defined benefit plan – requiring the state to pay the agreed benefit for however long the employee may live in retirement- if the employee lives longer than the actuarial plan anticipated, the taxpayer is on the hook for the pay-outs during the longer life.

But is this the fault of the state employees? The pension agreements are the result of collective bargaining. That means that the state has every opportunity to properly calculate the anticipated lifespan and then add on some margin for error. What's more, the losses taken by the pension funds over the past few years can hardly be blamed on the employees.

Take a look at what Sue Urahn, an expert on the subject at the Pew Center on the States, has to say about this when describing the \$1 trillion gap that existed between the \$2.35 trillion states had set aside to pay for employees' retirement benefits and the \$3.35 trillion price tag of those promises.at the end of 2008-

To a significant degree, the \$1 trillion reflects states' own policy choices and lack of discipline:

- • failing to make annual payments for pension systems at the levels recommended by their own actuaries;
- • expanding benefits and offering cost-of-living increases without fully considering their long-term price tag or determining how to pay for them; and
- • providing retiree health care without adequately funding it

[Via Pew Center on the States](#)

That is the point. While the governor of Wisconsin is busy trying to shift the blame to the workers in an effort to put an end to collective bargaining, the reality is that it was the state who punted on this – not the employees.

Further, by the state employee unions agreeing to the deal proposed by Walker on their benefits (as they have despite Walker's refusal to accept it) they are taking on much - and possibly all – of the obligation out of

their own pockets.

As a result, the taxpayers do not contribute to the public employee pension programs so much as serve as insurers. If their elected officials have been sloppy , the taxpayers must stand behind it. But if the market continues to perform as it has been performing this past year, don't be surprised if the funding crisis begins to recede. If it does, what will you say then?

Contact Rick at thepolicypage@gmail.com

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1 2 3 ... 10

1:26 pm on 02/25/11

Dan At The Scott Daily Post

Rick, public employee wages are paid by the tax payer. It doesn't matter whether they choose to defer it or not – it still came from the tax payer.

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1:38 pm on 02/25/11

RICK UNGAR
The Policy Page

Dan – that simply doesn't speak to the point.

Of course they are paid by the taxpayer. They work for the taxpayer. However, suggesting that their pension benefits are some sort of gift from the taxpayer is no more true than saying that their salary is a gift. Are you proposing that they should work for free?

If you want to argue that public employees are over-paid, that is an

argument you can make. You can also argue that these folks should get a pay cut because their employer is in tough circumstances.

But the attempt to muddy the picture by suggesting that they are receiving some 'special' benefit from the state at no cost to themselves is disingenuous to say the least.

Do you mind if I point out that you might be a bit conflicted on your feelings as they pertain to Wisconsin? I could be wrong, but your last two comments have been really off the mark where you are usually on point.

Often wrong – but on point. 😊

In response to another comment. See in context »

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1:43 pm on 02/25/11



DAVID WHELAN
Health Dollars

I don't really understand the distinction here either. Is there another source of revenue that the state has besides taxes? If not, then you and David Cay Johnston are peddling misguided analysis.

In response to another comment. See in context »

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2:06 pm on 02/25/11



RICK UNGAR
The Policy Page

Setting aside the exception I take to your referring to my 'peddling' anything, do you really not see the distinction between characterizing the pension plan as some unfair gift to state workers versus a deferral of the salaries to which they are entitled?

If you can't see this distinction, I'm not quite sure what I can tell you that would make it appear more clearly. I presume you have a retirement plan funded by what you earn. When the plan begins paying out to you, will that be some gift you've been given or simply the payout on the money- your money- that you put in?

As I've said, if you want to argue that the public employees should take a pay cut, fine. But call it what it is – a pay cut.

But when this argument is presented as these people getting some taxpayer benefit beyond getting paid their salaries for the work they do, just who is it that is peddling the misguided information?

In response to another comment. See in context »

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2:27 pm on 02/25/11

anonn123

I am not sure if what you are saying is completely correct. First the section you cited of the employee agreement only indicates the employee's portion of the pension, which I agree is an alternative to direct salary, but that does not include the employers portion. Much like payroll taxes the employee pays some and the employer pays the other. Therefore since the employer is the gov't, taxpayers are paying. Also since most gov't pension plans are guaranteed payments, if there is not enough in the account to cover the payment then the difference has to come from somewhere which would be the taxpayers. While I agree in thinking that is is not a gift, but rather part of entire compensation package offered in exchange for work, the language you are using is also misleading. The issue is more of the amount of compensation than where it comes from.

In response to another comment. See in context »

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3:26 pm on 02/25/11

DAVID WHELAN
Health Dollars

This is Forbes, Rick. Everyone is peddling something.

All you seem to be saying is that the pension contributions are part of overall compensation. So that would mean critics are saying that compensation is too high.

Johnston's distortion that it's actually not taxpayers who are funding the compensation makes my head spin—no matter how many Pulitzers he's won. It's a progressive political argument dressed up as media criticism. Why not just be honest and say what he really thinks, which is: public workers aren't paid too much and should be able to unionize.

In response to another comment. See in context »

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3:29 pm on 02/25/11



lmarks3113

There are tons of state employees whose wages do not come from tax dollars. For example, I work at a university where there are lots of revenue generating operations that actually off-set the tax burden, funding other university expenses.

I do not work in one of these operations, however my salary comes from grants that I personally write, and some from what is called a "student fee", which the elected student government votes on because they see a whole in services (in my case its a volunteer and student leadership center).

There are actually lots of state employees who bring in more revenue than their salaries through grant-writing and such. People are just so misinformed about all of this, no one is looking at the human side. My family is composed of 2 state employees and 2 young kids. Last year we took a \$4,000 paycut because of furlough (okay, no complaints, rough times we all have to make sacrifices), and now, we are being asked to take another monthly paycut (that is essentially how it will impact us) with only a 30 day warning if the governor gets his way. Also, I am not in a Union.

In response to another comment. See in context »

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2:02 pm on 02/25/11



aem12

Rick- thank you. In fact when trying to cut or freeze public employee pay, administrators always add up the benefits and the salary, and say, "look, this is your total compensation package and you are only looking at your pay check." I've received a letter every year from the agency I work for, stating this very concept, "cheer-up, this total of salary and benefits is your actual pay". I appreciate you going up against a very strong disinformation campaign.

In response to another comment. See in context »

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3:00 pm on 02/25/11

Dan At The Scott Daily Post

Wrong? Ha! What do you think is conflicted?

I guess I have a problem with your headline – since it's false. I assume it's just "link baiting." I also don't understand who you've been speaking to that referred to these benefits as gifts. No one I've spoken to makes this suggestion. The argument always has been that the compensation for these workers is much higher than average to the extent that it's putting the government and businesses in a stranglehold.

In response to another comment. See in context »

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3:27 pm on 02/25/11

RICK UNGAR
The Policy Page

Seriously – take a look at the ad from Club For Growth- you can see it at wicfg.com/index.cfm/m/3/s/3.cfm

As for the nonsense that state workers are paid higher for the average, that was long ago debunked based on a legitimate comparison based on education, specialized skills, etc. If you do an apples to apples comparison, this narrative is simply false.

In response to another comment. See in context »

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4:21 pm on 02/25/11

Dan At The Scott Daily Post

Rick, those ads never refer to the benefits as "gifts". How did you come across them? I haven't seen them circulating elsewhere.

As to the average compensations: Wisconsin employees currently contribute far less to their benefits than the national average from all comparisons I've seen. I don't know how total compensation factors in and I probably led you in the wrong direction with my blanket statement. The point is that if the private sector is suffering, there is less money to pay the public sector and it puts tax payers in a bad spot. Also, union policies do indeed put businesses in a stranglehold.

In response to another comment. See in context »

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6:57 pm on 02/25/11



Sean O

Hey Rick,

I'm on the same page with you about the narrative spin. However, why would the article be titled as it is if pension contributions ultimately come from taxpayers? What it sounds like you're saying here is that public workers get part of their pay now, and the other part later in the form of a pension. But if all of that is taxpayer money...

?

It almost comes off as though you're doing narrative spinning of your own (with the title, at least. the rest seems straightforward).

In response to another comment. See in context »

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7:01 pm on 02/25/11



Sean O

disregard my last comment, I misinterpreted something important. carry on!

In response to another comment. See in context »

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7:42 pm on 02/25/11



RIK UNGAR
The Policy Page

That is exactly what I'm saying. They do get part of their compensation now and part later in retirement. And yes, they the salary public workers earn is taxpayer money – but it is not some special benefit as it is being portrayed by the anti-union forces. I know you are not arguing that they should not be paid for the work they do. Thus, when they are paid it becomes their money to do with as they wish. In this case, they wish to defer some of that money into a retirement plan.

If you perform a consulting service to the state and you are paid for it, whose money is it?

As for the title, sometimes it can be really hard to title a piece. I actually worked on this title because there wasn't one that was working. I may have missed it a bit – but isn't it the content of the piece that matters?

In response to another comment. See in context »

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5:11 pm on 02/25/11



lmarks3113

There are lots of state workers who are NOT paid by tax dollars. Sorry but that is a fact you can not get away from.

In response to another comment. See in context »

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10:14 pm on 02/25/11



wiconsinite

By the same token, you are a public sector employee whose wages are generated from the income made from a service provided by customers, including state employed customers. So, are you accountable to me, a state employee, for your wages and income?

In response to another comment. See in context »

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10:53 pm on 02/25/11

**RICK UNGAR**
The Policy Page

what does that mean? If he is 'accountable to you' does that mean you get to pick what car he drives, what he wears and where he lives?

In response to another comment. See in context »

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2:37 pm on 02/25/11

**DAN BIGMAN**
Important If True

Rick — Who is paying these people if not the taxpayer? I don't follow here. Maybe the headline is a tad misleading?

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2:44 pm on 02/25/11

**RICK UNGAR**
The Policy Page

Dan you ignorant... oh wait, you're my boss!

Seriously, yes the taxpayer pays the salary of public employees. However, characterizing the contribution to the state pension fund as some additional 'gift' is false. It is a lie. All they are doing is taking a percentage of what would have been paid to employees as a direct salary payment and putting it into the retirement fund. That is not a gift. That is not providing some additional or 'special' benefit to state employees. As the collective bargaining agreements make clear, the contributions to the pensions are made with employee money that the employees chose to have diverted to pension funds for future retirement.

As I've been saying, if you want to argue that the state employees in Wisconsin should take a pay cut by way of smaller contributions to the pension fund in order to recognize and help ease the stress their employer is experiencing, that's fine – but call it what it is. To do otherwise is disingenuous, dishonest and meant to mislead the public into believing that the unions are taking advantage when they are not.

In response to another comment. See in context »

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3:44 pm on 02/25/11

**lmarks3113**

See comment above, not all public employees are paid out of tax dollars! Also, lots and lots of public employees are not represented by unions. Finally, there is this reoccurring argument that we haven't "given" yet despite the economy — my family took a \$4,000 payout last year because of furlough! There is so much misinformation out there!

In response to another comment. See in context »

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10:10 pm on 02/25/11

**uwprof**

I couldn't agree more. As a UW faculty member, the grants I raise contribute a lot more money to the state taxpayers than the salary and benefits I earn.

My total compensation is 29% less than my peers, with equivalent educations, in the private sector.

I have received 3% pay cuts the last two years (furloughs).

For most of the past decade, during the boom, our raises were deferred so that the state wouldn't have to raise taxes.

I've stayed at UW for 16 years, despite numerous offers from much better-paying private universities, because I love Wisconsin, and above all I love the Wisconsin Idea: public service for the state.

Do any of you wonder that we're extremely angry at being called lazy parasites who don't deserve our "gifts" of good pensions? We have earned every penny. We are drastically under-compensated, when you include benefits. We stay not because we can't find better jobs, but because we

believe in serving the state. And now the governor mocks our service. Nice job, Mr. Governor.

In response to another comment. See in context »

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2:49 pm on 02/25/11



RICK UNGAR
The Policy Page

Dan – also take a look at the comment above yours posted by aem12. That really is the ‘way it is.’

In response to another comment. See in context »

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3:31 pm on 02/25/11



lmarks3113

There are tons of state employees whose wages do not come from tax dollars. For example, I work at a university where there are lots of revenue generating operations that actually off-set the tax burden, funding other university expenses.

I do not work in one of these operations, however my salary comes from grants that I personally write, and some from what is called a “student fee”, which the elected student government votes on because they see a hole in services (in my case its a volunteer and student leadership center).

There are actually lots of state employees who bring in more revenue than their salaries through grant-writing and such. People are just so misinformed about all of this, no one is looking at the human side. My family is composed of 2 state employees and 2 young kids. Last year we took a \$4,000 paycut because of furlough (okay, no complaints, rough times we all have to make sacrifices), and now, we are being asked to take another monthly paycut (that is essentially how it will impact us) with only a 30 day warning if the governor gets his way. Also, I am not in a Union.

In response to another comment. See in context »

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2:37 pm on 02/25/11



RICK UNGAR
The Policy Page

anon123 -
your interpretation is where the confusion comes from.

Let’s say you sit down with your boss and you are due for a raise of \$100 a week. Your boss says, I’ll give you a raise of \$80 a week, and I’ll put \$20 in the company 410k program. Additionally, so I can cover the costs of operating the 401k program, I want you to put up 5\$ out of your direct pay.

Who is paying in to the 401k?? Your employer is bypassing you and putting \$20 of your money into the 401k. But is that the employer’s money? It is not – it is your money being paid directly into the retirement account.

Now, if you were due for a \$100 raise and you received that amount as direct compensation, plus, as an additional benefit because your employer greatly values your work, she agrees to put \$20 into the 401k -bringing your total raise to \$120, then this would be comparable to what you are suggesting.

The collective bargaining agreements in Wisconsin make clear that what is happening is the first example -not the second. Thus, 100% of the money funding the public retirement program is, indeed, employee money.

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2:55 pm on 02/25/11



anon123

That is a good point about how pension/salary is distinguished and like I mentioned before I believe it to be part of the entire compensation package, therefore I guess people should rather spend time fighting whether the compensation package is too high as oppose to where it is coming from.

In response to another comment. See in context »

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3:16 pm on 02/25/11



RICK UNGAR



The Policy Page

Right. But you should take a look at what most state employees in Wisconsin are being paid. There is a headline story in the Huffington Post right now – http://www.huffingtonpost.com/2011/02/25/wisconsin-workers-overpaid_n_828077.html – that gets into it. It ain't as exciting as you might think it is.

In response to another comment. See in context »

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5:49 pm on 02/25/11



bushman88

Rick -
You are still off the mark as you are not looking at the cost of the pension. Yes the employee is paying 5% into the defined benefit plan, but if the present cost of that future benefit is more than what the employee pays, who is picking up the tab? The taxpayer in this case. And using a 401k plan as an example is a little off the mark as they are not a defined benefit program. Using your example of a \$100 raise with an \$80 direct and \$20 into the plan, what if the current cost of the future received benefit is actually \$40. Who pays the extra \$20? If the state does, then the program is not 100% employee funded as you claim.

In response to another comment. See in context »

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6:03 pm on 02/25/11



RICK UNGAR
The Policy Page

I see what you are saying but now look at it the other way. Who is taking the risk if the pensions remain badly unfunded – or suffer even greater losses in the future?

Also, I point out the 401(k) approach as an alternative to a defined benefit plan so I'm not sure what your point is. What I'm saying is that it might make sense to put a 401(k) style plan on the table in place of a defined benefit which would resolve the problem you are raising. If the value of the investments go up, this is passed along to the employees – if it goes down, the employee bears the result.

In response to another comment. See in context »

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6:15 pm on 02/25/11



bushman88

As I understand state employee pensions, the state (ie the taxpayer) is on the hook for any underfunding not the individual, so I fail to see the point in your statement.

And you did not originally bring up 401ks as an alternative, you brought them up as an example of how \$20 put into the program from a \$100 raise is not a \$20 gift from the employer.

You and I do agree that a 401k style program is a valid alternative.

In response to another comment. See in context »

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6:26 pm on 02/25/11



RICK UNGAR
The Policy Page

As I noted, I see the point you are making. However, you are shifting the blame for this to the employees. When the state negotiated this deal, they certainly could have built in a margin for these circumstances. It is a simple matter of going to actuarial tables to determine projected life spans. They state could also have been more careful in how it invested the pension funds so they wouldn't have lost so much money these past few years. Collective bargaining is just that- bargaining. Now you would shift the blame to those workers who put their money in the pension fund based on the state's promise.

That is my problem.

In response to another comment. See in context »

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3:29 pm on 02/25/11

 **xzy89c**

Not sure why Rick is holding the water for this. The complete compensation package is paid for by taxpayers. Trying to assert that is not the case is trying to insert FUD into the debate. This is the reason why there is little sympathy for the public employees except from other unionized/public employees

Few if any public or private companies have defined pension plans. This is a cost issue that the private sector has addressed through 401k accounts. Companies can contribute but are not on the hook for a guaranteed rate of return for retirees that are living longer and longer.

Public employees should be treated like private. If you perform you stay if not... No seniority, the state should have the right to change things as a private employer would, outsource if it is feasible etc...

I fear Unions have turned from a needed voice to a mob. Mobs always fall to the lowest IQ in a group. Listening to some of the people defending the status quo reminds me of Twain's theory: "Better to remain silent and be thought a fool than to speak out and remove all doubt"

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 3:37 pm on 02/25/11



RICK UNGAR
The Policy Page

I'm not sure how you are missing the point.

This is about how the anti-union forces are attempting to paint the situation – and it is completely dishonest.

Of course taxpayers pay for state employees. Are you arguing that they should work for free? and when the public employees agree to have a portion of their salaries put into a deferred compensation account, it remains their money that is being put to work for their retirement.

Painting this as some added benefit courtesy of the state is nonsense. Please see my response to anon123 above. I don't think it can be made any clearer.

As I've been saying, if you want to argue that the state employees should take a pay cut – fine. But the FUD is pretending that the money in their retirement accounts is anything but money they could have received as direct salary payments.

Your point regarding defined benefit plans is a fair one. Now, if the state of Wisconsin wants to negotiate a change in the nature of the pension plan provided, they should raise that at the collective bargaining table. But that is off the point of this article. I'm just saying tell the truth about the facts rather than trying to sell a false story to vilify the employees.

In response to another comment. See in context »

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 3:47 pm on 02/25/11



owkrender

This the second eminently sensible piece I have read by Mr. Unger...has Mr. Forbes been informed?

Another point: since Moody's has begun ranking states in terms of bond debt combined with pension-related debt, will reneging on pension debt be treated as a default?

There would be screaming if holders of municipal bonds were 1) blamed for the states' budgetary problems; and 2) stiffed.

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 3:52 pm on 02/25/11



RICK UNGAR
The Policy Page

Thanks- but go easy on Mr. Forbes. Even though I suspect he would disagree with most of what I write (I have no idea if he's ever read any of it) he allows me to do so on his site. That deserves respect. It's the way it is supposed to be.

In response to another comment. See in context »

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 4:03 pm on 02/25/11



milwaukeeetaxpayer

Rick –

You are basically claiming that since the state is contributing 5% of the employees salary to the pension fund that that 5% is all that is put in

towards their pension since "the employees are already paying 100% of the contributions".
That is some amazing return on investment to contribute only 5% of salary to get a \$ for \$ (or close to it)pension return. If that was the case I would think pension funds wouldn't be under fund across the country. Obviously WI has to put more than 5% into the pension so it isn't all deferred comp (i.e. the employee isn't currently paying for all of it.)

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4:10 pm on 02/25/11



RICK UNGAR
The Policy Page

No, that's incorrect.
The amazing return was the result of excellent growth for so many years.
The underfunding being experienced is primarily the result of two factors: (1) employees are living longer and their benefits are guaranteed and (2) the public employee funds lost a ton of money over the past few years.
There is a valid argument to be made that state pension funds should switch from defined benefit to something more akin to a 401(k). But none of this is to say that the state is putting money into the funds that is not already the money earned by the employees.

In response to another comment. See in context »

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6:05 pm on 02/25/11



bushman88

Rick, you are incorrect.
If the 5% is not enough to fully fund the benefits being payed out, then taxpayer money is being used to fill in the funding gap. Therefore, the fund is not 100% funded by the employees. And I understand that the 5% is the employee's just being payed by through the state into the program.

In response to another comment. See in context »

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4:03 pm on 02/25/11



heatherryan

To those who are arguing against Mr. Unger's point, I'd argue that if state employees went and purchased new Hummers, say, we could not then make the argument that "Taxpayers are paying for state workers' Hummers!" Once you are paid, that money is yours. The problem, as Mr. Unger so well puts, is that the argument in Wisconsin is being framed as though pensions there are some "gift" or "extra," when in fact they are not and are entirely funded by the workers themselves.

Again, you can argue that the workers should pay more in health costs, or should have lower pay overall, but the argument about pensions is, at best, misleading.

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4:04 pm on 02/25/11



heatherryan

Also, apologies for misspelling—Mr. Unger (what I wouldn't give for an edit function).

In response to another comment. See in context »

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4:07 pm on 02/25/11



RICK UNGAR
The Policy Page

Don't sweat it...everyone misspells my name!

In response to another comment. See in context »

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4:10 pm on 02/25/11



mrc0Is0n

I work at a private for-profit college. All revenue comes from tuition paid by students. The company pays my salary and some benefits as well. Now, if a student receives federal financial aid, that is taxpayer money. But my

paycheck is not the student's money or the taxpayer's money or the company's money. It is my money. How does the source of funding even come in to play? How is it any different for a state worker?

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4:18 pm on 02/25/11



daviddornbush

"the taxpayer pays the salary of public employees. However, characterizing the contribution to the state pension fund as some additional 'gift' is false. It is a lie. All they are doing is taking a percentage of what would have been paid to employees as a direct salary payment and putting it into the retirement fund. That is not a gift. That is not providing some additional or 'special' benefit to state employees." Rick is correct. I really don't see how anyone cannot understand the point here. Walker is trying to frame it that public employees, teachers in particular, are getting some sort of 'gift'. I've heard this so many times in the last few weeks I'm sick of it. It is completely inaccurate. In WI their pensions are funded by them. The pension is not an added gift of some sort.

I also understand Rick's point. If you think the public workers are overpaid, that's a separate argument. And that can be argued and debated, but considering the cost of living in the areas, the types of jobs they do and degrees and training they have I really don't believe at an average of anywhere from 20K to 50K that WI area teachers (Other than Milwaukee) are overpaid.

I also need to point out Whelan's comment: "This is Forbes, Rick. Everyone is peddling something." I disagree with that. Maybe you peddle 'misguided analysis' or agendas, but not everyone does. There are still a few honest people left in America who just want to get the truth to people. Granted, only a few that haven't been bought by the Koch Bros., but a few. So please spare us.

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4:53 pm on 02/25/11



RICK UNGAR
The Policy Page

I have to agree that not everyone is 'peddling' something at Forbes. I'm a little surprised by David's cynical point of view but, what are you gonna do?

In response to another comment. See in context »

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5:00 pm on 02/25/11



cmschneid19

Rick,

This is probably what happens when national writers wade into state benefit issues, but you're completely wrong about how public sector pensions work in Wisconsin. The Wisconsin Retirement System and Deferred Compensation are two completely separate things.

Full time state and local government employees are participants in the Wisconsin Retirement System – which uses taxpayer money to fund both the state (around 5% of salary) and employee (another 5%) contributions to their pensions.

On top of that, if they choose, state employees can choose to participate in the Deferred Comp plan, where they decide how much of their money to set aside, and a portion is matched by the state. That is in addition to their traditional pension contribution.

For clarification, you can peruse Chapter 40 of the Wisconsin State Statutes, which clearly demarcates each program in separate subchapters:

<http://legis.wisconsin.gov/statutes/Stat0040.pdf>

I anxiously await your post correcting this. It's a shame this inaccuracy has been passed around the internet so quickly.

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5:24 pm on 02/25/11



RICK UNGAR
The Policy Page

I have reviewed them and I completely disagree with you. The basic plan – The Wisconsin Retirement System- is funded by the contributions agreed to in the collective bargaining agreement. It is a defined benefits plan. The

money that goes into this fund is money that would have been paid directly to the employees as direct salary. However, the parties agree that instead of paying that 5% directly to the employee, it will go to the retirement fund. It is the employees money!

As you note, the Deferred Comp Plan is optional and is NOT what is being discussed in the debate going on in Wisconsin.

I'm afraid you will be waiting a long time for that correction you are seeking.

In response to another comment. See in context »

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5:30 pm on 02/25/11



milwaukeeetaxpayer

Thank you cmschneid19- You explained my point much better. I'm the husband of a state worker that is in teh State Retirement System, which is very generous, and I have read through her whole benefit package and you are correct about the 5% from the State (i.e. taxpayer). She pays no monthly \$ amount as of now, and 10% (actually more since the state pays all of her SS tax) goes into her pension fund.

In response to another comment. See in context »

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6:44 pm on 02/25/11



RICK UNGAR
The Policy Page

This makes no sense. As a state employee, your wife is not a part of the Social Security system. Are you saying she has to pay into social security just the same? I don't claim to be an expert on this subject but I'm pretty certain that state employees don't pay social security taxes.

In response to another comment. See in context »

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10:13 pm on 02/25/11



uwprof

Actually, we are part of the social security system (at least at UW).

In response to another comment. See in context »

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5:09 pm on 02/25/11



wisconsintom

Rick,

I appreciate the article and the research that went into it, but I feel it is a bit of a straw-man argument. Most Wisconsin residents and legislatures don't feel that state workers are overpaid, that their benefits are "gifts" from the taxpayers, and that they aren't valued members of the Wisconsin community.

The issue most Wisconsinites have is that the state is out of money. That money has to come from somewhere. Compensation is the biggest slice of the pie, so it is no surprise that when the state is broke, there is going to be some pain for those paid by the state.

I think the Governor is playing an overly "hard" version of hardball, but the bottom line is the state has to pay it's employees less. It's a shame that the irresponsibility of previous legislatures and the greed of Wall Street landed us in this situation, but that's where we are.

Ultimately I don't really understand the point of your argument. Pensions are funded with tax dollars, whether that is in the form of deferred compensation or as a deduction from a higher pay rate is irrelevant. The state needs to pay a smaller amount towards pensions, so the employee will have to pay more of it. I doubt the state workers would feel better if you said they are getting a pay raise, but they have to pay an equal amount more towards their pensions.

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5:30 pm on 02/25/11



RICK UNGAR
The Policy Page



Not quite sure how this is a 'straw-man' argument. What you appear to be saying here is that many people in Wisconsin aren't buying into the Governor's B.S. That's great. However, there are many in Wisconsin – and throughout the nation- who are believing his argument.

If you don't understand the point of the argument, simply read the rest of the comments where I have restated the point over and over again.

In response to another comment. See in context »

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7:28 pm on 02/25/11



stevemangan

>"Not quite sure how this is a 'straw-man' argument. What you appear to be saying here is that many people in Wisconsin aren't buying into the Governor's B.S."

AH, there's that journalistic objectivity and detachment! No wonder the media is dying out.

In response to another comment. See in context »

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7:46 pm on 02/25/11



RICK UNGAR
The Policy Page

He wrote –

"Most Wisconsin residents and legislatures don't feel that state workers are overpaid, that their benefits are "gifts" from the taxpayers, and that they aren't valued members of the Wisconsin community."

So where exactly is there a lack of journalistic objectivity and detachment?

In case you haven't noticed, the very fact that I respond to comments changes the nature of 'detachment'. Of course I'm not detached- I'm arguing a point that is being challenged.

I realize you do not agree with em, which is not only fine but the point of having a discussion. But this is a silly comment.

In response to another comment. See in context »

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6:14 pm on 02/25/11



landshark12

I follow the argument and to the extent that the actual plan is as you say (I take your word for it arguendo) your conclusion follows. BUT it is a defined benefit plan. The benefits will usually depend on a combination final salary and years of service. The funds available to pay the defined benefit depend upon investment return since the employee's contributions as discussed by you cannot support the benefits. If investment return is less than expected (hello! Investments can lose money!) or the demand is greater due to longer than expected lifespans, then the employee's contributions + investment income will not be sufficient but the benefits have to be paid anyway. In this case the taxpayer – not the employee – will be on the hook.

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6:30 pm on 02/25/11



RICK UNGAR
The Policy Page

No disagreement on that point. However, as noted in an earlier comment, the money that funds the plan is 100% employee money. If the state has done a poor job in following actuarial tables to determine likely lifespans and/or has done a crap job of investing the money, why would you choose to blame the employees? The people of Wisconsin chose the officials who negotiated for the state. The employees of the state agreed to contribute their funds in the expectation that they would get what they paid for. How does it make sense to now blame those employees if the state has not calculated properly, built in a margin for loss of investment, etc.?

Again, I have no gripe with the state asking the employees to alter the benefits they bargained for. My problem is blaming them for the screw-ups.

In response to another comment. See in context »

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6:24 pm on 02/25/11

**pkeyrich**

If indeed they are using a deferred pay/compensation plan, it is up to the employee to decide how much of their earnings go toward the deferred compensation pension fund. This either means the unions negotiated a much higher pay for the educators, or the educators are living on a lot less each year so that their pension will be fully funded by 100% of their own funds.

<http://www.irs.gov/pub/irs-pdf/p4484.pdf>

I think the union likely negotiated a higher pay for those they represent, so that the base yearly income would not be affected. If the employer adds \$16,500 per employee for their pay, then the employee can choose to contribute up to \$16,500 per year without feeling the pains of investing in their own pension. If this is the case, then it's really the employer paying 100%, not the employee.

Deferred pay is a choice educators can make, which effectively deducts and amount from each of the 9 months worked to balance out so the 3 months normally unpaid will be paid as if they actually worked. This doesn't apply to pensions though.

<http://www.irs.gov/newsroom/article/0,,id=172883,00.html>

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6:31 pm on 02/25/11

**tiebar**

An important distinction is "Who makes up the gap if the fund runs out of money?" Some employers offer an insurance element on the fund: If the fund under-performs and runs out of money prematurely, the state/country/school district/other-employment-entity will make up the difference from its own budget. Most retirement funds are 60%-80% funded currently, largely because of the moribund performance of the stock market for the last decade. While it is true that employees are funding their own retirement funds, how much they contribute was largely based on the estimate of an additional market return of 8.5% annually on their contributions –and in these low inflation times, most retirement funds have not seen that kind of return on their principal for a few years, creating the funding gap. Those that follow market cycles say the retirement gaps will all disappear when the next bull market breaks out, 7-12 years from now, without invoking the insurance coverage aspect from employing agencies. Others point out that while returns are not rising as high as the actuaries initially estimated, neither is inflation or cost of living, meaning that the COLA-indexed expenses of the funds at payout time will be lower than the estimates built in. Negativists who see us in a perma-bear feel the employee funds will fall to 0 and the state will have to pay 100% of the funding – extremely unlikely overall, but given how many retirement funds there are between so many people, it is possible a few very small retirement funds will be extremely poorly ran and manage to tank pretty hard through mismanagement. Those few will be national news, and very heartbreaking.

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6:40 pm on 02/25/11

**wisconsinarcy**

FICA (Social Security) is a Defined Benefit plan, is it not? One that every employee, not covered by another gov't plan, must participate in?

The WI state employees covered by collective bargaining are not entitled to Social Security in retirement. They participate in the Wisconsin Retirement System.

In fact, due to my several years as a graduate teaching assistant and occasional adjunct teaching job at the University of Madison, I get statement from the Employee Trust Fund every January. My 'retirement benefit' isn't worth a cup of coffee, but as a Wisconsin taxpayer I'm glad to see that the ETF is healthy. It means that I won't have to pay more taxes to make up the difference – something most other states' pension funds can't say. I wish Social Security were as well-funded!

But the fact is that what Scott Walker is doing is no different than if my private-sector employer were to say, "I can no longer afford the 6.2% in FICA tax (employer matching funds.) I am going to take it out of your wages."

That would be a 6.2% reduction in salary.

Rick is correct: to argue that public employee unions have used the collective bargaining process to negotiate retirement plans 'above and beyond' what private sector employees get is a lie.

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7:25 pm on 02/25/11



stevemangan

Then there's no reason we should not scrap public employee unions completely, is there? These public employees will be able to make the same income as people in the private sector, and not have to pay unions dues.

In response to another comment. See in context »

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7:31 pm on 02/25/11



RICK UNGAR
The Policy Page

That may win as the most illogical argument of the day. Maybe you didn't get the memo, but collective bargaining is about much more than salary and benefits.

In response to another comment. See in context »

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7:37 pm on 02/25/11



stevemangan

I do get it. It's about funneling money to the Democratic Party. That's the real reason everybody on the left is freaking out – the potential loss of the revenue stream from the taxpayers.

In response to another comment. See in context »

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7:47 pm on 02/25/11



RICK UNGAR
The Policy Page

Well so much for your own dispassionate objectivity and detachment.

In response to another comment. See in context »

[Flag for abuse](#)

6:48 pm on 02/25/11



zbrazgel

Rick I give you credit for trying to explain this to all of the people that just don't get it in these comments.

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7:32 pm on 02/25/11



RICK UNGAR
The Policy Page

That's what I do—it's fun!

In response to another comment. See in context »

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6:51 pm on 02/25/11



marymatteson

I would like to dispute the claims that people don't view state workers' pensions as "gifts."

I am a teacher in Wisconsin and by my own father, my high-school friends, and other people I have held dear to me I have been called the following told that am sucking at the private teat, getting unfair gifts on the back of the tax payers, a greedy pig wanting more special treatment and many more hurtful words.

Just today, DAYS after the unions conceded to the Gov's economic demands, I saw a very inflammatory anti-union ad on TV claiming that the "public workers have special treatment gifted with benefits and pensions far better than the private sector."

Fine you can say I'm overpaid, but there are a lot of poor people in Wisconsin right now and it is not fair for the Republicans and anti-unionists to use this rhetoric to split the middle class in half to get their big business agenda.

"Give me liberty or give me death—or at least make sure my neighbor can't have it either..."

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6:53 pm on 02/25/11



marymatteson

*people I have held dear to me have called me

(I agree I want an edit function...I just get so emotion when I recall those words I've been called...)

In response to another comment. See in context »

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7:34 pm on 02/25/11



RICK UNGAR
The Policy Page

Don't worry about it. Your message could not have been clearer.

In response to another comment. See in context »

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7:33 pm on 02/25/11



RICK UNGAR
The Policy Page

Well said! I think I'm going to refer commenters to you!

In response to another comment. See in context »

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6:52 pm on 02/25/11



wiprguy

I am surprised by this....Forbes is supposedly a respected publication. You'd think the writers would do their research. Wisconsin state employees have TWO retirement plans, both of which they are participating in...BOTH.. One is the State Retirement Fund (with a 5% taxpayer contribution) and the other is a Deferred Compensation Plan (of which the author speaks), and yes, employees contribute their pre-tax dollars.

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7:35 pm on 02/25/11



RICK UNGAR
The Policy Page

I'm well aware and have discussed that in these comments – how is this in conflict with what is written in this piece?

In response to another comment. See in context »

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7:22 pm on 02/25/11



stevemangan

"Dan at The Scott Daily Post – are you seriously going to attack the descriptive word I used -"gifts"- and suggest that the argument fails because the ad does not specifically use this word?"

I'm not Dan, but I'll seriously argue that. It's absurd for you to constantly attack somebody for talking about "gifts" – and you even put quote marks around it, as if somebody actually said it – when nobody ever talked about gifts!

If you acknowledge that this "descriptive word" you used is not the correct one, why don't you stop using it and use the proper word? Is is because if you use the proper word, your whole argument evaporates?

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7:37 pm on 02/25/11



RICK UNGAR
The Policy Page

well, we can put this to rest. Take a look at marymatteson's comment above

where she quotes an anti-union commercial running on Wisconsin TV saying, "public workers have special treatment gifted with benefits and pensions far better than the private sector."

Feel better now?

In response to another comment. See in context »

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7:23 pm on 02/25/11



coloneltravis

Rick, the only people using the word "gift" are you and David Cay Johnston. That's it. You can run to the thesaurus/dictionary/whatever to fill us in on what "gift" means. What if we call it "Unicorn teardrops"? It still wouldn't change anything in this debate, which is Wisconsin union heads – not the rank and file – are destroying that state.

Your arguments are just as lopsided as those you criticize. I don't know if you know this and don't care, or if you flat-out don't know it.

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7:29 pm on 02/25/11



RIK UNGAR
The Policy Page

It will come as no surprise to you that I very much disagree. If you think unions are ruining your state, wait until you see what happens to your earnings (I presume you are not a union member) if they go away. And if you've been making a living as a worker, then I would suggest you are ungrateful for what the union movement has done to improve your own fortunes. You should study your history in Wisconsin and see what unions have meant to your state- more than most, in fact.

In response to another comment. See in context »

[Log in to Reply](#)

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7:42 pm on 02/25/11



stevemangan

>"I would suggest you are ungrateful for what the union movement has done to improve your own fortunes."

Educate me. What have public employee unions done to improve my fortune, or the fortunes of the average American? Keep in mind that there were no public employee unions at all until the 1960's.

In response to another comment. See in context »

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7:50 pm on 02/25/11



RIK UNGAR
The Policy Page

To begin with, I commented on all unions, not just public employee unions. As for educating you- that is a set-up question. Sorry, but I'm not going to provide the history of the American modern union movement in a comment. You have a computer and you are obviously on-line so do your own homework. Start in the late 1920's and go from there. You might be surprised what you learn.

In response to another comment. See in context »

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7:31 pm on 02/25/11



johnk84

All salary and benefits (for the majority of public workers) are paid for by taxpayers. The government essentially has no source of revenue other than taxes, and the composition between of total compensation for public- and private-sector employees can be very different. This is why comparisons between public- and private-sector workers should focus on total compensation. Asking public employees to pay more for their pensions/healthcare is the same as asking them to take a pay cut. Yes, public employees choose (through collective bargaining) to have a larger portion of their total compensation go into their pension fund and health insurance. But all that money, whether it's income or pension/insurance contributions are paid for by taxpayers.

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7:52 pm on 02/25/11



RICK UNGAR
The Policy Page

You have it exactly right when you say that what the public employees are being asked is to take a pay cut. That is the point of this piece. Instead of portraying them as greedy people getting some special treatment- just call it what it is. They are being asked to take a pay cut.

In response to another comment. See in context »

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7:43 pm on 02/25/11



coloneltravis

Hey, Rick, instead of assuming things about me and reminiscing about the history of collective bargaining, how about sticking to the argument at hand?

What percentage of blame would you assign to unions and to the state of Wisconsin for this budget problem?

[Log in to Reply](#)

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7:53 pm on 02/25/11



RICK UNGAR
The Policy Page

I don't believe i assumed anything. I do believe I put out some possible constructs as I have no idea who you are and what you do. No offense but don't give yourself that much credit as I'm afraid you are not the center of my life today.

In response to another comment. See in context »

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7:43 pm on 02/25/11



chantemerle

Thank you for this clear discussion. My husband is Faculty @ UW-Milwaukee. Yes we already did our share with the 16 days of furlough. It was 3% of our salary.

And yes by State Law, my husband is not allowed to have the amount for the pension, even if we want to manage his money.

Yes, he is writing grant after grant that give money to UWM, that pays for one part of his salary. If he hadn't do it, he would have not had a Tenure position. And he MUST continue now because UWM need the budget from the grant to grow. The WI state decreased his subvention to UW-Milwaukee during the past years.

And Yes, not all the State Employees are unionized, simply because it doesn't exist. The faculty of UW-Milwaukee don't have Union.

Yes, I would like my husband to work at a private university and manage his money.

Yes I challenge a Mom at my kid's school and her argument was to tell me how much she paid for insurance and co-pay (and I recognize it's insane what she is paying) and her difficulty to put money on her husband 401K. She finally told me that she was giving the state employees a "gift". But I also thank her to be interactive in this big debate where communication is impossible because manipulated by a Governor who wants the Power to mark History. I looked at the Definition of DEMAGOGUE in thefreedictionary.com "A leader who obtains power by means of impassioned appeals to the emotions and prejudices of the populace."

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7:49 pm on 02/25/11



stevemangan

"the taxpayers do not contribute to the public employee pension programs so much as serve as insurers."

That's not true. Every last penny in the pension programs originated with the (non public employee) taxpayers.

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9:57 pm on 02/25/11



kelbell1965

Are you now saying that State employees are not taxpayers? I believe if you work in the state of WI you pay income taxes! If you live in the state you

pay sales taxes and property taxes. So I say public employees are paying part of their own wages!

In response to another comment. See in context »

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9:39 pm on 02/25/11



RICK UNGAR
The Policy Page

Except that, absurd or not, they are bargained for. You may not like it but that is what it is.

In response to another comment. See in context »

[Log in to Reply](#)

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8:40 pm on 02/25/11



samsiha

I began reading your articles several weeks ago. I am impressed with your ability to articulate facts. Refreshing.

For those who don't get the point you are making. Their argument is analogues to believing the tax payer owns the car or house a state employee purchased. A ludicrous idea that reminds me of a Thomas Jefferson quote, "Ridicule is the only weapon which can be used against unintelligible propositions."

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9:42 pm on 02/25/11



RICK UNGAR
The Policy Page

Right. And that is a very nice compliment. Thanks!

In response to another comment. See in context »

[Log in to Reply](#)

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8:58 pm on 02/25/11



acemulder

Bottom line is states and local governments need to implement the same system the federal government has--its called a "Thrift" plan and its similar of a 401K. Employees get contributions into an account and whatever is in there when they retire is theirs. They get the gains and they suffer the losses just like the rest of us. This GUARANTEED pension is absurd. It puts all of the risk of market devaluation on the tax payers and none of the risk on the employees.

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9:44 pm on 02/25/11



RICK UNGAR
The Policy Page

That's okay by me. Just stop blaming the workers because your state officials negotiated a different kind of pension. Instead of trying to bust the union, elect officials who will negotiate for the type of pension plan you are proposing.

In response to another comment. See in context »

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9:04 pm on 02/25/11



jriesgraf

Great discussion guys, but are we missing the point that whether it comes from the employee, or the employer both are funded by the taxpayer. It is a public school funded with taxpayer money, paying a public employee salary funded by taxpayer.

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9:54 pm on 02/25/11



johnk84

Your title says that "taxpayers actually contribute nothing to public employee pensions." Both employees and taxpayers fully fund the pension plan.

They're 2 sides of the same coin. A portion of the pension comes from employee paychecks and a portion comes from the state. Both are funded by taxes.

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10:57 pm on 02/25/11



RICK UNGAR
The Policy Page

Read the comments and the article. The part coming from the state is payments that would have been direct payments to the employees had they not chosen to have it go into a pension fund for their benefit. It is all their money! Their paycheck, by the way, also comes from the state.

In response to another comment. See in context »

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10:11 pm on 02/25/11



kelbell1965

Mr. Ungar the easiest way to word this so the gentlemen that think you are wrong is to ask them if they want their employers telling them where they can spend their wages and how to spend them. Once the money is paid in earned wages it is no longer the taxpayers money. Union dues are paid out of wages therefore they are not being paid by taxpayers!

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10:58 pm on 02/25/11



RICK UNGAR
The Policy Page

I've been doing exactly that however there is no evidence that it is getting through! (sigh)

In response to another comment. See in context »

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10:12 pm on 02/25/11



pwilco

I am a union member in the private sector we also bargain a wage package similar to the public employees, with that package we determine how much of that package goes towards retirement,health insurance, annuity and wages on the check, with the defined retirement plan we are paid a defined amount each month based on years of benifit (1500 hrs in one year is classified as 1 yr of benifit, 750 hrs to 1499 hrs equals 1/2 yr) If you die before retirement age the fund keeps whatever you put in Each year we get a statement of how the fund is doing (required by law) If funds are doing good they are allowed to give extra pay to the retirees if not the can reduce bennifits to keep the fund stable (i am not sure how wi manages the fund for the state employees but if they follow it like everyone else is suppose to the taxpayers should not be on the hook if it goes insolvent)

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10:20 pm on 02/25/11



wismary

"For the duration of this Agreement, the Employer will contribute on behalf of the employee five percent (5%) of the employee's earnings paid by the State. "

Now tell me, where do the employee's earnings come from? Those employees are paid with money from the government. The government does not earn any money, so how does the government get money to pay their employees? From the tax payers!!! So now you tell me. Who really pays for the pension and benefits for public employees in Wisconsin??!!!!

HINT: the tax payers!!!!!!!

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11:01 pm on 02/25/11



RICK UNGAR
The Policy Page

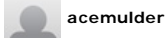
So what do you think? Let's have 'em work for free.

In response to another comment. See in context »

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10:24 pm on 02/25/11



acemulder

Rick—I would like to hear your view on the public employee unions having the right to collectively bargain with the very same people they fund elections for? In California, Brown was elected by a large percentage of public employee union dollars. He will now have heavy influence in whether there is any reform in the pension system, which is underfunded by half a trillion dollars. Regardless of whose fault it is, that money isn't there and the system needs reform. So do you or do you not see any conflict in unions negotiating with the same elected officials they paid to have elected?

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11:04 pm on 02/25/11



RICK UNGAR
The Policy Page

You keep asking me to give you answers that would pretty much be a 2000 word article. First you wanted me to give you an education on the modern union movement. Now you want my views on the whole the unions give money to democrats thing. Not asking for too much are you? Tell you what – you give me your views on the endless amounts of money that Citizens United now allows Karl Rove and the Koch Brothers to give to their GOP friends and then maybe I'll write an article on union funding of democrats. Oh – and buy the way- did you know that that some states have governors that are republicans???

In response to another comment. See in context »

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10:26 pm on 02/25/11



wismary

Rick says "If state employees choose to have a union and agree to pay the union dues, how is it any of your business that they do that?" Well Rick, state employees don't choose to join a union. They are forced to join and pay dues whether they wish to or not. And I really don't care what they drive or where they live. Collective bargaining has nothing to do with that. It is the "collective" part that most of us object to. The private sector doesn't get to bargain collectively, most times not at all. So suck it up and join the rest of us hard working middle class folks.

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11:06 pm on 02/25/11



RICK UNGAR
The Policy Page

Oy...now the whack jobs are coming out. Don't make me cite the NLRB laws on union de-certification. Anytime the members of ANY union don't want them anymore, they can de-certify. Happens all the time.

In response to another comment. See in context »

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10:32 pm on 02/25/11



dawiech

You math can not be correct...

<http://biggovernment.com/beverard/2011/02/22/union-fails-pension-math-part-time-teacher-set-to-earn-more-in-retirement-than-she-did-while-employed/#idc-container>

The only investment with this kind of return is tax-payer funded or early Microsoft stock.

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10:55 pm on 02/25/11



kmnews

Rick,
In a perfect world, the pensions are not "gifts", but in practice, in the real world, I think they are gifts. I don't think you can compare a 401k for a private company employee (defined contribution) to the pension plan of a public school teacher (defined benefit). Let's take two people that retired in 1995. One guy living off his 401k and the other living off his public pension. The guy with the 401k has probably hit some rough times as he's gone through the bursting of the tech bubble in the early 2000's and the recent financial crisis. The guy with the pension? He's still getting the same checks

every time (if not bigger checks, due to cost of living increases), is he not? How do you think the pension fund managers handled those two market disruptions? Did they hold on to all of the money that was put into the funds, or did they lose a ton of money? All of that lost money needs to come from somewhere to fund the defined benefits to the beneficiaries, right? Guess where it's coming from? The taxpayers, as a gift, because the teachers have a contract that says they will get X amount of dollars every two weeks for the rest of their lives, no matter what. Additionally, I'm not sure how it works in WI, but in IL, your pension is based on your salary over your final 5 years of work. So let's say you get a huge pay raise by becoming an administrator and you keep that job for 5 years. That is what will determine how much you receive from the pension for the rest of your life. Do you really think that enough money was put in by that person over their career before those 5 years to support all of those future payments? The guy working for the private company that gets a big raise and works for 5 more years can max out his 401k for those 5 years, and his social security benefits may take that into account, but it's nothing like what the pension provides.

I think if pensions were just a piggy bank for these deferred payments to sit in, nobody would have a problem with them, because dollar for dollar you can track who is entitled to that money. If a teacher puts in a million dollars cash over their career and it stays in cash or money markets, they can have it when they retire. But if they put in a million dollars and that turns into \$500k due to how the money was invested, now it is the taxpayers' problem to still pay them as if they have a million in the bank.

Teachers do important work and it is important to compensate them fairly, but if you give them a risk-free guaranteed pension at the cost of the taxpayers, you have to expect a little bit of resistance, especially in tough times, because nobody else in the middle class is going to find such a good deal. Illinois just borrowed billions of dollars to fund pensions. Somebody really got their math wrong at some point in the past (and they probably still do). This isn't the teachers' fault, but could the union have maybe said "hey, those assumptions are too aggressive, maybe we should have our members put in a little more cash to keep the system working right"? They could have, but they have no incentive to do so, because they know they can hold the taxpayers hostage when crunchtime comes.

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11:01 pm on 02/25/11



mrc0Is0n

There are plenty of people out there who place a much higher value on capital than on labor. To them, were it not for capital, no one would have a job, so in a sense compensation itself is a sort of gift. When Scott Walker tells "David Koch" that "it's all about getting our freedoms back," I assume one of the freedoms he refers to is the freedom to offer or withdraw gifts such as compensation and benefits in whatever manner he sees fit. Where you sit along the labor-capital continuum probably has a lot to do with how receptive you are to the characterization of pensions and benefits as "gifted," as opposed to earned.

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12:28 am on 02/26/11



RIK UNGAR
The Policy Page

Sorry but you don't get it. Shareholders may have a voice in executive compensation but they don't get to tell the CEO what political campaigns she may or may not contribute to. My analogy regarding a taxpayer telling a state worker what car to buy is in response to the complaint that they don't like their tax money going to unions who give it to democrats. Now, you tell me what the difference is?

In response to another comment. See in context »

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11:29 pm on 02/25/11



iamme2

I have a serious problem with the concept of a "Defined Benefits Plan." The fundamental problem is, that you are talking about a company or government "investing" money and promising future performance. The first thing any financial advisor or investment prospectus will state is: "Past performance does not guarantee future results."

It's impossible to predict the future with certainty. If you had said GM would be on the edge of insolvency, 40 years ago, no one would have believed you. How many thought Enron was a house of cards early on or Global Crossing? AT&T (the company once so large and powerful, the federal government stepped in and broke it into many pieces) is a shadow of its former self.

Social security has serious problems. They will eventually be solved through a

combination of increased taxes (either a higher rate or removal of the cap), reduced payout, or requiring you to be older to collect. But pensions have already been promised. You cannot easily reduce benefits and the taxpayers are often on the hook for the deficit. In many cases pensions are negotiated during "fat" times. GM's union workers see GM making money hand over fist and negotiate DEFINED benefits based on this. When GM nearly goes out of business, then what happens? GM can't payout, and either you renegotiate or the Pension Guarantee Corporation (Taxpayers) step in to bail them out.

Let's look at your police officer example. I'm perfectly willing to accept your assertion that the police officers are putting their own money in. Let's say they put in 10% of their salary. Let's further say that the officer who retires after 25 years of service started at \$35k/yr (probably high of what he did, remember, this was 25 years ago). He gets a 3.36% raise every year. Over the years he has paid in \$133847. If the pension fund earns a 5% return, he will get an additional \$100k in interest for a total of \$235176. That means he's getting about \$11758 a year in interest, which means to cover the \$80k, they need to payout \$68241 of his built up fund and it just gets worse each year, so his contributions won't last even 4 years.

If he was earning 10% a year, the pension fund may be okay, but really... Who in their right mind can get 10% returns year over year without taking significant risk? I believe a number of pension funds were negotiated assuming an unreasonably high rate of return on their money, and then taxpayers are asked to step in and make up the difference.

The other alternative would be to essentially become a pyramid scheme where current workers pay for current retirees, but this requires maintaining specific demographics, which in the general population are impossible to control. In the case of a police officer who works for 25 years and then may live an additional 30 years, this is truly untenable.

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11:29 pm on 02/25/11



mjohnson66

As per Governor Walker's plan, the money that public employees are going to have put toward their pension plan will be taken post-tax. As a result, will be taxed twice for this money – once when money is put in and again when taken.

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11:30 pm on 02/25/11



johnnyblood

If taxpayers do not contribute to public employee pensions, why is 18% of the total state budget allocated to a line item called "pensions?" Who is paying that 18% and where is it going?

I think you are playing a shell game with words here in defense of your political beliefs.

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12:32 am on 02/26/11



RICK UNGAR
The Policy Page

I'm getting a bit tired of this complaint. Do you really imagine I believe I am convincing anyone like you to take a different political point of view? Please... think this through for just a moment.

The 18 percent going to the pension is 18 percent that would have gone directly to the employees as compensation had there not been a pension plan. If you don't get this after having read the piece and all the comments where this has been repeated over and over, there is little more i can say.

In response to another comment. See in context »

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11:49 pm on 02/25/11



weholdthesetruths

I'm nothing but a country bumpkin, and I can tell you that this is THE most dishonest, and blatantly false article I have ever read. Not to mention... hypocritical.

You said: "Taxpayers Actually Contribute Nothing To Public Employee Pensions"

Yet, it's 100% taxpayer funded. As are the wages paid. It matters not an iota to the taxpayers of Wisconsin, if the lavish, defined benefit retirement

plan is funded from funds accounted for OUTSIDE of the wages, or are accounted for INCLUDING wages. Accounting tricks do not obscure the fact, that it's all from the taxpayer.

I even recognized the argument, that "once the bargain is struck" the paycheck (formerly taxpayer funds, but now morally employee's personal funds) belongs to the worker. Oh, God, were that only true. But it's not. Just imagine how that kind of nonsense would go over, when Rick argues that budget deficits are the fault of the rich paying too little taxes. I mean, if the money you earned is YOURS, then keeping that money in no way impacts anyone else's budgets. Right? If the rich morally own their paycheck after they get it, then how could it be THEIR fault for budget deficits?

So, when the taxpayers are footing the bill, Rick argues that it was never taxpayer funds, because the union bargained for the retirement as part of their compensation... See, the taxpayers never had a legal right to their paychecks, only the part left over after the Unions got done blackmailing them. That's how the taxpayers are not funding them. Right?

Or, we could just say that Rick is objecting to semantics, because his beloved unions are proven to be worthless, unproductive, taxpayer dollar leeches, who fund Democrats from funds extorted from people who otherwise could not have the job.

In NYC, there's a history of needing to pay the "protection" people a sizeable chunk of your daily earnings, to prevent fire, theft, burglary, robbery, etc. Just like public employees need protection from the taxpayers and their representatives in Wisconsin.

But, Rick, you're far too gutless to print this. I just hope it grabs your attention and you start getting attacks of conscience for your gross, insulting, and reader-demeaning dishonesty.

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12:38 am on 02/26/11



RICK UNGAR
The Policy Page

I suppose I'd argue with you if I had the even an inkling of what you are trying to say. Somehow you go to the rich being responsible for deficits to paid protection in New York to....yeah, I'm lost. Whatever. But if it makes you feel better, I got that you believe that an article you disagree with calls for character assassination. And here I thought only 'city folk' behaved in such an ill tempered manner.

In response to another comment. See in context »

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12:40 am on 02/26/11



RICK UNGAR
The Policy Page

And, not for nothing, if you're going to call me 'gutless' – I think Mr. Ungar is a more appropriate way to address me. You don't know me anywhere near well enough to call me 'Rick' and you sure aren't my friend.

In response to another comment. See in context »

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11:50 pm on 02/25/11



simplyreg

What are you idiots talking about? Most people aren't union? Who do you think is driving the trucks? Loading the freight? What do you think the AMA is for doctors? Actors Equity\SAG for actors? Pilots and flight attendants? AFTRA (Yes Glenn Beck and Rush are members)? Carpenters? Steelworkers? Plumbers? Construction workers? And, oh yes, your precious tea-party legislators all have access and utilize the benefits of a union.

Do you think that because these people decide to serve their communities that they deserve less than the cube-farmer or paperpusher for some insurance company? Because they don't work to maximize profit, but instead work to help people and provide for their families they can't have a voice?

You morons stand on the backs of these people squeezing the last penny from the public coffers, all the while enjoying the benefits they provide. Not mentioning the minimum wage, child labor laws, 40-hour work week, weekends, company benefits that were hard won with their effort, and newflash, none of which were in place not very long ago. Want to see what your precious free market does to the working people, you only have to look to our own mines and factories with the last 70 years.

And because these people decided to try and shove some knowledge into your brats tiny heads, they have no rights to speak as organize? And please, the schools responsibilities are greater than your backyard. The children are part of our society and as such, it is to all of our benefit that they maintain a minimum level of competency. So if it was left to the communities and the parent, most of your home-school loving spawn would be trying to build a society thinking the earth was 6000 years old and all the animals were on a boat together once.

Your short-sighted, selfish and insular point of view makes me pity you and weep for our country.

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11:51 pm on 02/25/11



catman90

To take an idea from "Friends", whether the state workers deserve the money they get is a "Moo" point ... like a cows opinion, it just doesn't matter.

The people of the state elected those that were responsible for representing the people who (among other things) negotiated these contracts.

Generally in these negotiations, the union asks for more than they really want, the employer offers less than they're willing to pay, and after a while they agree somewhere in the middle.

If, for whatever reason, the employer just decides not to do their job and just gives in, is this the fault of the union members?

What is the purpose of spending all this time and money trying to break this union when all they have to do is wait for the contract to expire, especially when members of the union have agreed to take voluntary cuts to help the state.

This is political grandstanding at its finest and as more information becomes available, it seems to have less and less to do with any kind of public concern.

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12:44 am on 02/26/11



RICK UNGAR
The Policy Page

A voice of sanity. You have no idea how welcomed it is at this point! Thanks.

In response to another comment. See in context »

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11:57 pm on 02/25/11



jeffdearborn

Rick,

You are the first person that I have heard refer to their pension/health benefits as "a Gift". We are not viewing it as a gift but a shake down of tax payers. The unions have officially won too many negotiations and you socialists have run out of other peoples money.

It's time for you all to suck it up and reflect on the great run you had.

Good luck!

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12:46 am on 02/26/11



RICK UNGAR
The Policy Page

Seriously...don't you get tired of just calling someone who disagrees with you a 'socialist'? Surely you can think it through bit more than that? Socialism doesn't even apply to the situation under discussion.

In response to another comment. See in context »

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12:04 am on 02/26/11



bobinberea

Rick, you have said several times that the workers are not to blame for the current situations and I don't disagree with you. You claim that if elected leaders were stronger negotiators the state could have avoided getting in

their current situation. Well isn't that what Gov. Walker is doing now? He is playing hard ball with the Unions to secure a better deal for the taxpayers. He is doing exactly what you said his predecessors should have done, so he should be commended.

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12:48 am on 02/26/11



RICK UNGAR
The Policy Page

When Gov. Walker pushed for the concessions which he has now won but won't accept- yes, he was doing exactly that. But his refusal to accept the economic changes he wanted so that he can break the unions is not negotiating.

In response to another comment. See in context »

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6:59 pm on 02/26/11



RICK UNGAR
The Policy Page

Thank you so much for your insightful and highly relevant comments! I know that you likely only read right-wing slanted journalism, but quality magazines – such as Forbes- foster differing points of view. Now, if you find this a bit too much for you to handle, I can provide a link to the Fox News website for you.

In response to another comment. See in context »

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12:09 am on 02/26/11



mikecal

Thanks for revealing the facts about the pension funding and I am taking your words as accurate. I do not feel that public employees should be unionized and certainly don't feel they should be required to join one. Yet, this calamity in Wisconsin is being watched by the nation and I believe they feel that this should be settled at the ballot box and not in the capital rotunda. The fact is the Republicans have a majority and if they are not doing the states business then vote them out but not showing up for a vote is disconcerting at the least. If this had been the reaction of the Republicans in our last Congress and all had left Washington to avoid a vote on healthcare there would have been a hue and cry that would still be reverberating. If enough Wisconsinites or Wisconsinians or whatever they call themselves want a change, do it at the ballot box. Otherwise it is just chaos.

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12:10 am on 02/26/11



benshult

Perhaps I can take a stab at bridging the gap in conceptualizing this– there seems to be a big disconnect in the two points of view, taxpayer/employer versus worker.

We'd all agree that a state employee is paid for the work that s/he does– this is the employee's "compensation" for performing the worker's job duties. We'd all further agree that the compensation the employee is to receive is spelled out in the contract of employment. Some/many/not all state employee compensation contracts are governed by superceding contracts– collective bargaining contracts. Every portion of the "compensation" is spelled out in employment contract, and the CB contract.

This contractually established "compensation" is distributed across several different variant types: X amount of this, Y amount of that, Z amount of the other thing. X, Y, and Z are all co-equal and are all contractually agreed upon. The existence or amount of any part or all parts is not at the whim of one party of the contract to adjust, decrease, or remove. This is the essence of a contract. I'd dare to call this self-evident.

All three parts X, Y and Z — and of course these are pay, pension, and health benefits– are the justly-earned and fully owned property of the employee, rendered in exchange for contractually determined labor.

We all now that it is not within the power of the employee to unilaterally decide what his/her job duties shall be or shall nor be; the contract determines this. Likewise, can we agree that it is not within the pervuew of the employer to decide unilaterally to change the contractually established amount of X; Y or Z? None of these are "perks" or freebies"; they are variant forms of "pay". This as what I perceive to be the central point Rick makes,

and I think most if not all agree on this.

The next point seems to become a sticking point in mutually understanding the nature the relationship between taxpayer and employee.

Once paid out by taxpayers to the employee or into entities designated by the employee (such as a pension fund), the money ceases to be taxpayer money, but is now "pay," or more accurately, just plain old "the employee's money." The fact that it originated with the taxpayers is, at that point, immaterial.

To grasp this, consider this: Just as a private employer no longer owns the money when a paycheck is cut to the private sector employee, and that employer may not tell that employee how to spend that money; so too does this hold true when the employer is a state or public entity. Once earned, it is the earner's money, regardless of sector of employment. Is it possible we could dispute this truth?

A common problem is that one set of workers will compare their "Z" — let's say pension benefits — to the "Z" of public workers, and say my "Z" is not that big. They can do with less Z". You cannot isolate one part of the compensation and compare it, alone, to other workers. If this were the normative practice, then public workers could legitimately say, "private sector pay is higher than mine; I am entitled to the exact same pay as the private sector, while still receiving better benefits." It simply doesn't work that way.

One can legitimately make an argument that, while the foregoing is true, a "pay" cut is necessary. But as Rick has emphasized, call it what it is— a pay cut. Maybe one is needed for a number of possible reasons; is one this big really needed, or helpful to the economy or community the public employee serves?

When you consider that the new employee cash outlay in Wisconsin is based on gross pay and not take-home, after-tax pay, that 5.8% new contribution really represents about a 10% pay cut. That's rather drastic given the circumstances, in my opinion. Whether that large a cut is too drastic or not is the only debatable element of this entire discussion in my opinion.

The payout is even more drastic when one considers that when considering total compensation— the sum of X,Y, and Z— state employees already make about 5.1% less in compensation than their private sector counterparts in Wisconsin (4.8% less for all public employees including municipal, etc). Is there a legitimate reason a public servant MUST, by definition, receive 15% less total pay— the 5% they were already short, plus this new 10% cut?

In short, then:

The employee's pay is a sum of salary, health benefits, and pension benefits (and others as applicable). Each component is the property of the employee, period, as governed by his/her contract.

The public employee earns the pay in exchange for work. It becomes his/hers. That money is no longer the property of the taxpayer, nor is any part a gift.

The public employee, on average, receives total compensation that is less than his/her educational and occupational equivalent in the private sector.

Given this, if one portion— pension, let's say— is superior to that of a private sector worker, there is no rule that says it must be lowered to parity when other parts— pay most significantly—lag behind private pay.

At least, that's how I see it. Can't we all agree?

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12:51 am on 02/26/11



RICK UNGAR
The Policy Page

I'm in!

In response to another comment. See in context »

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12:13 am on 02/26/11



Iwalta

Not all state employees are paid from tax dollars. I am currently a Wisconsin state employee. My unit generates revenue through the sale of professional certifications. All the employees in my unit are paid out of this revenue and an occasional grant.

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12:18 am on 02/26/11

 **dave2240**

It seems to me there's more than a bit of misinformation here, although perhaps it's more of a semantics tango. The "Wisconsin Lie" is in fact the truth. Taxpayers actually contribute everything to public employee pensions. Whether income is taken immediately or deferred, the overall amount is derived totally from tax revenue. Asking employees to pay for a percentage of their pension is in fact a request to increase the amount of deferred income, at the expense of current income. The effect on government expense is the same as would be rendered by a pay cut.

Without question, many states have instituted pension programs that aren't sustainable and the sins of the past ultimately have to be confronted. The only way to do that is with taxpayer dollars. So the question is, do the taxpayers bear the brunt of those sins, or do state employees give up some of the benefits they never should have been promised in the first place?

The comparison with the ball player deferring income is a bit erroneous, because a contract would typically stipulate a fixed amount. That's not the case with a pension plan, which must pay for as long as the retiree lives. While that's great for the life of a pensioner, it's fiscal suicide for the entity that has to foot the bill.

Governor Walker appears to be attempting to institute fiscal sanity for both the present and the future. Whether or not he is employing the best methods can be argued, but the need for a sustainable pension program is irrefutable. As is the fact that taxpayers fund every aspect of a government employee's income.

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 7:57 am on 02/26/11

 **toby3061**

The state of Wisconsin is going broke. The Governor has two choices: increase taxes on everyone in the state or decrease state costs. It is that simple. And where the heck are the Democrat elected officials hiding? I find this shameful and cowardly.

In response to another comment. See in context »

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 6:52 pm on 02/26/11

 **RICK UNGAR**
The Policy Page

Apparently, you don't actually read a newspaper. Everyone -including the unions- have agreed that the financial cuts sought by the governor are required. We are well past that.

This is now an effort by the governor to bust the unions – something the dems. disagree with strongly. If so much as one of them shows up, there will be a quorum permitting a vote and the end of collective bargaining in the state. Now, you may be okay with that which is fine- but you should at least understand why they are doing what they are doing. There is nothing cowardly about it.

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