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Homebuyers Add State Pension Costs to Home Purchase Decision Checklist

Homebuyers are starting to make purchase decisions based in part on tax rates and underfunded public pension liabilities. Similar corporate relocation decisions are likely. Pension and benefits expert Dr. Mark Johnson suggests buyers be prepared.

FOR IMMEDIATE RELEASE

PRLog (Press Release) - May 03, 2011 - School districts used to be the number one concern among families shopping for a new home or relocating. Homebuyers may now realize that public pension and retiree health obligations are an essential measure of a state, city, school district, or county's long term financial viability.

Businesses deciding where to locate a new plant, open a new office, or relocate their headquarters also are adding unfunded public pension and retiree health liabilities to their checklist of selection criteria. Caterpillar CEO Doug Oberhelman underscored this trend in a recent letter to Illinois Governor Pat Quinn, raising concerns that recent state tax hikes are unfavorable to business.

"Public employee pension and benefit plans are not covered by the safety net available to corporate plans under the Employee Retirement Income Security Act (ERISA)," says Dr. Mark Johnson, founder of ERISA Benefits Consulting (www.erisa-benefits.com). "Taxpayers will be left paying the price of public pension promises that are inadequately funded."

Public pension deficits vary greatly from state to state, and within a state, from plan to plan. Residents and real estate purchasers are well advised to acquaint themselves with public funding issues prior to making any significant decision in regard to relocation, a real estate purchase, or a sale, according to Dr. Johnson.

Pension professionals have been aware of the unfunded pension liability issue for some time, while the true dimensions of the need for pension reform are only recently gaining attention among the general public and popular press.

There is a "\$1 trillion gap" between states' pension obligations and the money that is set aside to fund promised benefits, according to the Pew Center on the States. Higher taxes, reduced service levels, and laid off city workers are increasingly common actions being taken at the local level as cities and counties struggle to close massive budget gaps caused in part by pension costs.

Camden, New Jersey, for example, made headlines in January of this year when it announced plans to lay off hundreds of city workers—including police and firefighters—in an effort to close a \$26.5 million budget deficit.

“Pension costs will crush government,” warns a February 2011 report issued by the Little Hoover Commission titled “Public Pensions for Retirement Security.” Writing specifically about public pensions in California, the report notes that the 10 largest California public pension plans face a combined shortfall of \$240 billion in 2010.

Pensions and politics are a potent combination, as state and local governments that do seek to restructure future unearned retirement benefits for their employees face public demonstrations. Real estate owners and purchasers should plan accordingly.

Schedule an Interview: Mark Johnson, Ph.D., J.D., a pension and benefits expert, is available for interviews on this topic. He can be reached at 817-909-0778 or www.erisa-benefits.com.

About ERISA Benefits Consulting, Inc.

ERISA Benefits Consulting, Inc. (www.erisa-benefits.com) assists plaintiff and defense attorneys, corporations, fiduciaries, third party administrators, and other plan sponsors in design, compliance and administration of plans regulated by the Employee Retirement Income Security Act (ERISA).

Mark Johnson, Ph.D., J.D., founder, is a former ERISA Plan Managing Director and plan fiduciary for a Fortune 500 company. He serves as a consultant and expert witness on 401(k), ESOP and pension fiduciary liability; retiree medical benefit coverage; third party administrator disputes; individual benefit claims; pension benefits in bankruptcy; long term disability benefits; and cash conversion balances.

ERISA Benefits Consulting, Inc. by Mark Johnson provides benefit consulting and advisory services and does not engage in the practice of law.

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ERISA Benefits Consulting, Inc. assists plaintiff & defense attorneys, corporations, fiduciaries, third party administrators, & other plan sponsors with Employee Retirement Income Security Act (ERISA) compliance & litigation for pensions & benefits.

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