September 18, 2015

To the Editor:

Ed Ring’s argument that public defined-benefit pensions harm rather than help California’s economy is based on a flawed assumption about the nature of pension contributions. (“California Pensions Are an Economic Burden, Not Benefit,” September 17, 2015)

Pensions are deferred compensation, not taxpayer largess. Employees earn their pensions and also contribute to them from every paycheck. Pensions are part of the pay package that California taxpayers provide in exchange for the services they receive, including roads, schools, and public safety. Pensions are certainly not a giveaway, and the average amounts are far from extravagant.

As for the author’s critique that there is not enough detail about the “structure and strategy” of public pensions, the answer is quite simple.

Public pension plans are structured as pooled investments with professional management and a long-haul perspective. This stands in contrast to defined-contribution plans, which put the onus on employees to direct their investments, and can undermine long-term investment by permitting workers to borrow from and even withdraw their savings.

The strategy of a public pension plan is to return a reliable, steady income stream in retirement for public servants, many of whom could have earned more in the private sector, and a large percentage of whom (more than 56% in California) receive no Social Security benefits. Indeed, well-educated public servants could, on average, have earned 21.1% more in the private sector, according to data from the Center for Retirement Research at Boston College.

Our research demonstrates that defined-benefit pensions play a critical economic role in minimizing the income inequality and fostering growth. Spending by retirees is vital to communities, yet local spending can easily be undermined by short-sighted changes to defined-benefit pension plans.

Hank H. Kim, Esq.
Executive Director and Counsel
National Conference on Public Employee Retirement Systems
Washington, D.C.