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The Voice for Public Pensions

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January 13, 2011

Letters to the Editor
The Wall Street Journal
1211 Avenue of the Americas
New York, NY 10036

Editor:

Joel Klein's critique of defined benefit pensions ("Why Teacher Pensions Don't Work") offers a biased and incomplete review of the state of public pensions.

Klein and others in the *Journal* often cite some of the worst-case examples of public funding and suggested they are representative of the nation as a whole. In fact, public pensions have an enviable long-term investment record. The Federal Reserve reports that in 2009 alone—while the nation was in the midst of the Great Recession—the total assets of public employee pensions grew by an impressive \$501 billion.

A new Fitch Ratings report on public pensions shows that over the long term there have been "generally responsible financial management actions by state and local governments." In the few instances where pension funding is a concern, it is because states and local governments failed to put a single penny into the funds, all the while when employees were making their contributions.

Klein, who did NOT decline to receive the public pension he disdains, calls defined benefit pensions unsustainable. The facts suggest otherwise. A Morningstar report shows that for any time period evaluated, whether measured by time-weighted or by investor returns, public plans have consistently outperformed retail mutual funds. For example, for the 25-year period ending on December 31, 2009, the median investment return was 9.25%.

Finally, based on a few anecdotal conversations with teachers in New York, Klein suggests that keeping experienced teachers in the classroom is an undesirable goal and that many would leave their positions if not for their attractive pension plans. We are unaware of a single study showing that teachers or other public employees are clamoring for the elimination of defined benefit plans. To the contrary, in the State of West Virginia public employees who switched to a defined contribution plan later returned to the defined benefit approach—at the urging of younger teachers.

Without question public pensions, like all Americans, face challenges during these economic times. However, that is no reason to eliminate pensions that has served state and local governments well for decades and has helped keep some of the nation's best teachers where they belong and want to be: in the classroom.

Sincerely,

Hank Kim, Esq.
Executive Director & Counsel

