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NCPERS LETTER TO THE NEW YORK TIMES RESPONDING TO AUGUST 4, 2013 OP ED
A PLAN TO AVERT THE PENSION CRISIS

Richard Riordan and Tim Rutten (*A Plan to Avert the Pension Crisis*, August 4) argue that to reverse the American cities' financial distress, President Obama and Congress must create a federal reform program to reduce pension benefits to public employees. Even a casual perusal of their opinion piece reveals the folly in their thinking.

First: there is no public pension crisis. The vast majority of pubic pension plans – which, like all institutional investors, took a hit when the Great Recession collapsed the economy in 2008 – have rebounded nicely and are more than adequately funded. The few plans in peril are in jurisdictions that chose not to make their required contributions during boom economic times.

Second: lumping public pension benefits and retiree health benefits together is no more than a disingenuous scare tactic. Public pension plans stand alone and are funded primarily by investment returns and significant contributions by employees. Taxpayer contributions are predictable and only amount to about four percent of state budgets. Conversely, health care costs are not prefunded and are volatile.

Lowering pension payments would only push public sector retirees into less secure financial futures and increase their reliance on public assistance programs. It wouldn't influence health care costs, raise property values, increase employment, but would undermine generation of the tax revenues American cities need to get back on their feet.

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