Truth About Affordability and Crowding Out Effect of Pensions

Public Safety Conference
New Orleans, LA
October 27-30, 2019

Michael Kahn, Ph.D.
Director of Research, NCPERS
Opponents of Public Pensions Make Two Arguments to Convert Defined Benefit Pensions into Do-It-Yourself Defined Contribution Plans.
First, Taxpayers Can’t Afford Public Pensions
Taxpayers 'cannot afford latest gold-plated pension deal for public sector workers'

- Offer will mean public sector staff remain 'insulated from economic reality'
- Deal far outstrips pensions available in private sector

By DAILY MAIL REPORTER
UPDATED: 03:14 EDT, 3 November 2011

Taxpayers cannot afford to fund the latest gold-plated pension deal for public sector workers, business leaders have warned.

The Government’s improved offer will mean public sector staff remain ‘insulated from economic reality’, said the Institute of Directors.
Second, pensions are crowding out other public services such as education.
COMMENTARY

Pension Contributions Crowding Out Public Services Across California

By Truong Bui
December 13, 2017

A recent study by Joe Nation at the Stanford Institute for Economic Policy Research shows how rising pension costs in California have crowded out government services.
Can Taxpayers Afford Public pensions?
NCPERS 2018 Study – Unintended Consequences – Shows that Public Pensions are Net Revenue Contributors.

Were there no Public Pensions, Taxpayers will have to Pay $137 Billion More to Get the Same Level of Services.
Investment of pension fund assets contributed about $587 Billion to the economy, which in turn yielded about $125 billion in state and local revenues in 2016.
Spending of pension checks by retirees contributed $757 Billion to the economy and $151 Billion to state and local revenues in 2016.
Pension fund contribution of $277.6 Billion to state and local revenues far exceeded $140.3 Billion taxpayer contribution to public pensions in 2016.
Are Pensions Crowding Out Public Services?
Peaceful Coexistence
The Facts About Pensions and Education Funding
October 2019
National Conference on Public Employee Retirement Systems
Figure 2. Trends in State and Local Expenditures on Education and Pensions, U.S., 1993-2016
If There is a Squeeze on State and Local Budgets, It’s Because Revenue Systems Are Out of Sync With The Economy, Not Because of Pensions
Figure 3. Trends in Economy and Revenues, U.S., 1977-2016
The Sustainability of State and Local Government Pensions: A Public Finance Approach

Jamie Lenney, Bank of England
Byron Lutz, Federal Reserve Board of Governors
Louise Sheiner, Brookings Institution

NCPERS 2019 Public Pension Funding Forum
September 2019
This study argues that when we analyze pensions from unfunded liability perspective, we find that pensions might be in crisis.

But when we look at pensions from fiscal perspective, it’s not much of a crisis.
What Crisis? The Case for Not Panicking Over Pension Debt.

New research released this week shows that even pension plans with big unfunded liabilities are likely to survive in the long term.

BY LIZ FARMER | JULY 19, 2019 AT 4:00 AM
The Study Finds that Under Low and Moderate Asset Returns, Pension Debt Can Be Stabilized With a Modest Fiscal Adjustment.

It also Shows that There is Little Advantage to Start the Stabilization Process Now Versus 10-Years from Now.
Thank You