To the Editor:

In her article advocating for pension reform, Elizabeth Bauer overlooks critical context and ignores the role public pensions play in state and local economies and revenue generation. ("The Bottom Line: Illinois’ Public Pension Debt Is a Moral Issue," February 22, 2020)

It is true that pension liabilities have been growing in absolute terms—but so has the economy. When we examine the ratio of pension debt and GDP growth in Illinois, the ratio has been pretty stable at around 2% of GDP. [The graphic below illustrates the steady relationship between these figures.]

A recent study by researchers from the Federal Reserve, the Bank of England, and the Brookings Institution¹ shows that pension debt is or can be mostly stabilized by modest adjustments even at relatively low rates of returns. Major reforms are not urgent.

The author also overlooks the important role that public pensions play in generating revenues at the state and local level. In Illinois, for example, in 2018 investment of public pension assets and spending of retiree checks poured $78.3 billion into state and local economies. This, in turn, generated about $14.4 billion in state and local revenues. In the same year, taxpayer contributions to public pensions totaled $12.5 billion. In other words, public pensions generated $1.9 billion more than taxpayers contributed to them. If there were no public pensions, taxpayers in Illinois would have to pay $1.9 billion more in taxes to receive the current level of services.

We must think twice before undermining public pensions.

Respectfully,
Hank H. Kim
Executive Director and Counsel
National Conference on Public Employee Retirement Systems
Washington, D.C.
202-624-1458
hank@ncpers.org