National Conference on
Public Employee Retirement Systems
The Voice for Public Pensions

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To the Editor:

Karl Russell and Mary Williams Walsh demonstrated a poor grasp of how defined benefit pension funds work in their March 6, 2017, article, "The State of State Teachers' Pension Plans."

Breakeven points of teacher contributions are a meaningless and distracting topic to focus on in analyzing public pension plans. In a defined benefit plan, the benefits are determined by a formula consisting of salary, years of service, and age, and not by a given employee's contributions. This is no different than any other type of pooling program that guarantees a certain defined benefit, such as insurance policies.

The real challenges facing public pensions are that state and local governments have not kept their end of the bargain and they have made their revenue systems increasingly regressive and volatile. Pension plans that were shortchanged in this manner would be stronger had they received the legally mandated contributions they were owed.

It's important to view public pension funds through the appropriate lens. As Tom Sgouros of Brown University noted in a recent study, the quest for fully funding all pensions is misplaced. Full funding matters in the private sector because companies can and do go out of business. States simply don't. Funding levels have been increasing steadily since the 2008 recession. If appropriate revenue policies are in place, states are in a sound position to make good on their promises to teachers, firefighters, police officers and other public servants.

Respectfully,

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