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Dismantling Public Pensions Could Blow $3 Trillion Hole In U.S. Personal Income over Next Decade, NCPERS Warns

Economic Growth Would Suffer if Pressure to Curb Pensions Continues Unchecked

Washington, D.C. -- A study by the National Conference on Public Employee Retirement Systems (NCPERS) projects that the nation's economy will suffer severe setbacks by the year 2025 if the dismantling of Defined Benefit (DB) public sector pensions continues at its current pace.

Titled "Economic Loss: The Hidden Cost of Prevailing Pension Reforms," the study cited the following findings:

- By 2025, the study estimates $19 trillion in total personal income in the U. S. would be reduced by $3.3 trillion.
- The study projects the 4% rate of national economic growth would be dragged down to 3.29%.
- As states make changes that are negative for public pensions, their rate of income inequality increases by an average of 15% over 10 years. That, in turn, undermines the rate of economic growth by about 18%.
- Public pensions are in better shape than portrayed by their politically motivated opponents.
- There are several strategies to adequately fund public pensions without dismantling them, and some states are beginning to explore and implement them.
- The study projects the economic damage that would occur in 2025 for each state if the state stays on the path of dismantling pensions.

"The facts clearly demonstrate that the vast majority of professionally managed DB public pension systems are adequately funded, are sustainable by implementing common-sense policies, and benefit the economies of communities and states," said Hank H. Kim, Esq., NCPERS' executive director and counsel. "Our nation faces a growing retirement crisis that has been exacerbated by the inability of defined contribution plans such as 401(k) plans to provide a reliable income stream during retirement. DB public pensions, with their reliability and superior cost management, should be a model for the private sector."

The study, presented today by Director of Research Michael Kahn at NCPERS' annual conference in Hollywood, Fla., also includes a primer on how public pensions funding works.

"A great deal of criticism of public pensions is based on a faulty understanding of how long-term liabilities are funded," Kahn said. "Opponents of public pensions tend to whip up fear by arguing that cities and states can't cover their long-term pension liabilities with current revenues. That's like saying your 30-year mortgage is in trouble if you can't pay it off from this year's salary."

About NCPERS

The National Conference on Public Employee Retirement Systems (NCPERS) is the largest trade association for public sector pension funds, representing more than 500 funds throughout the United States and Canada. It is a unique non-profit network of public trustees, administrators, public officials and investment professionals who collectively manage more than $3 trillion in pension assets. Founded in 1941, NCPERS is the principal trade association working to promote and protect pensions by focusing on advocacy, research, and education for the benefit of public sector pension stakeholders.

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