September 21, 2015

To the Editor:

The editorial board’s screed against public pensions overlooks a critical fact: There wouldn’t be a “pension mess” in California or almost any other state or municipality if governments had honored its legal obligations in the first place. (“Public Employee Pensions: The Anti-Stimulus,” September 18, 2015.) Allowing pension funding shortfalls to accumulate over many years is a self-inflicted problem. It is hardly surprising that ignoring the problem has only made it worse, but it is wrong to blame pension beneficiaries, who never had the option of skipping a pension contribution.

The editorial board also mischaracterizes the very nature of public pensions. Pensions are deferred compensation, not taxpayer handouts. California’s employees earn their pensions and also contribute to them from every paycheck. It is nonsense to speak of “taking money from Kathy’s paycheck and doling it out to John,” because return on investment, not the state’s share of deferred compensation, accounts for the majority of pension cash flow.

Pensions are part of the pay package that California taxpayers provide in exchange for the services they receive, including roads, schools, and public safety. Pensions are certainly not a giveaway, nor are they extravagant.

Our research demonstrates that defined-benefit pensions play a critical economic role in minimizing income inequality and fostering growth. Spending by retirees is vital to communities, yet local spending can easily be undermined by short-sighted changes to defined-benefit pension plans.

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