National Conference on Public Employee Retirement Systems

The Voice for Public Pensions

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The February 13, 2018, editorial, "Anti-pension missive does not compute, House Republicans should keep asking smart questions," was a breath of fresh air in a debate that is based on misinformation and anti-public pension propaganda. Data do not support the two key arguments often used in dismantling public pensions – funding levels are too low and taxpayers cannot afford public pensions.

Our analysis has shown that funding levels are not a proxy for a pension fund's ability to pay benefits. The 50 states analysis, based on data from the last quarter-century, showed that states with the least funded plans (such as Kentucky, Illinois, New jersey, Connecticut) and the best funded plans (such as Wisconsin, New York, South Dakota, Tennessee) are indistinguishable in their ability to pay benefits. As long as contributions and investment earnings are greater than benefit payments and plans have cushions to weather economic downturns, public plans can last to perpetuity.

With respect to the argument that taxpayers cannot afford public pensions, nothing can be further than the truth. In fact, taxpayers cannot afford to not have public pensions. Our preliminary analysis shows that public pensions are net revenue generators. Pension funds contribute to state and local revenues in two ways. First, pensioners spend their checks in local economies, fueling growth, which in turn generates additional tax revenues. Second, when pension funds fund assets are invested, they grow the economy and revenues. This growth and revenues can be traced down to localities. In the end, the sum of revenues generated by spending of pension checks in the economy and investment of pension assets is more than what taxpayers contribute.

We are hopeful that legislators will continue to ask smart questions, including how much revenue is generated in Kentucky as a result of existence of state and local pension plans. We believe it is more than what taxpayers contribute to public pensions.

Respectfully,

Hank H. Kim

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