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

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To the editor:

The Wall Street Journal's latest article on public pensions ("The Pension Hole for U.S. Cities and States is the Size of Japan's Economy") gets badly tangled up in mistakes of good judgment and basic arithmetic.

The article starts by touting the most extreme pension-shortfall estimate the writer could find—one that is nearly three times the size of a more accepted estimate of $1.4 trillion. Then it erroneously compares the shortfall—which is a long-term expense—to a single year's gross domestic product in Japan.

The only valid comparison in this case is between two long-term figures. To stick with the WSJ's example, Japan's 30-year cumulative GDP would be $150 trillion if the nation's economy experienced no growth whatsoever. A $1.4 trillion, 30-year unfunded U.S. public pension liability would equal less than 1 percent of this total. Even if we accepted the preposterous $5 trillion estimate, that would still be only 3.33 percent of annual GDP, not 100 percent.

While no shortfall is trivial, it's vital to remember that it is payable over the long haul, not due on receipt. And it was created primarily by the minority of states and cities that made conscious decisions to put off honoring their pension obligations even though workers continued to pay faithfully into their plans.

Instead of making strained comparisons, the WSJ should examine the deeper questions: What services do citizens expect from their state and local governments, and how do they expect to pay for them going forward? If citizens conclude that employing teachers, firefighters, and police officers is the cornerstone of civic society that it has always been, then paying these workers their full compensation should be understood as a legitimate cost that must be untangled from political considerations. Public pension beneficiaries – whose median benefit was $17,576 in 2016—are not breaking the bank.

The answer is not to dismantle vital public services and pensions, but to migrate toward wiser tax policy. Fair, stable, and progressive taxes are a better choice than the volatile brew of casinos, lotteries, excise taxes, and fees that many state and local governments depend on. Instead of extending development subsidies and tax breaks to multinational corporations, governments should make good on their pension promises.

Respectfully,

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