

AFSCME Facts

The Truth About Public Service Workers' Pensions

Public employee pensions are a modest, but irreplaceable source of security for public employees to which they generally contribute substantially.

- Employee contributions and investment returns fund the overwhelming majority of the cost of pensions. Taxpayers shouldered only 14.3 percent of all pension funding in the 11-year period ending in 2007.
- In New Hampshire, Police Officers average \$ 32,689 per year in pension, while Fire Fighters average \$ 34,454, Teachers average \$ 21,375, and Employees average \$ 12,208.
- Police Officers and Fire Fighters are not covered by Social Security, so their employer does not pay into Social Security as other employers do. Since the worker does not qualify for Social Security benefits, his/her pension is the only source of retirement security.
- While politicians who run state governments have often failed to faithfully contribute to the employee's plans, public workers have contributed year in and year out.

Pension benefits are not the cause of unfunded pension liabilities which are making the headlines.

- The deep financial downturn of 2008 and 2009, spurred by the recklessness on Wall Street, caused significant problems in many pension funds. Until the recent market crash, public pensions were well funded and not a problem - they had on average 86 percent of the assets they needed to pay for accrued benefits (anything over 80 percent is considered healthy).
- Pension funds are not at imminent risk of default, and they have years to recover investment losses. The history of public pension fund management demonstrates that pensions have not been a long-term burden to governments.
- Where the problem with pension funds are substantial, the cause is the failure of employers to consistently fund pension plans and recent investment losses. This consistent underfunding by employers was set by the New Hampshire legislature. In the past, too many politicians ignored pension contributions in favor of wasteful programs or special-interest tax breaks.
- In any case, unfunded liabilities do not disappear if pension benefits are cut or the pension fund is closed. The pension liability debt remains. Changing from a Defined Benefit Plan to a Defined Contribution Plan will not fix the pension liability debt.

Defined benefit pension plans make sense in the public sector where jobs in public safety, education, social services and public management are unique to that sector.

- Pension plans are actually less expensive for the taxpayer, for long-term employees, than 401(K)-style plans. Pension plans can deliver the same retirement benefit as a 401(K)-style plan for 46 percent less cost - a huge savings for taxpayers.
- The reason costs are increasing for public pension plans is because employers are now paying for past service that the employer, through the New Hampshire legislature, did not properly fund.
- Pensions are a key tool for recruiting and retaining quality public service workers.

Our state faces enormous fiscal challenges. But these challenges are manageable if our political leaders and the public understand both the source of the problem and the implications of proposed solutions. It's time to start having some serious conversation about retirement security for all Americans.



**AFSCME Local 3657 • New Hampshire Police and Safety Employees
855 Hanover Street, PMB #420, Manchester, NH 03104 • www.afscme3657.org**

