LiUNA!

Feel the Power

Facts and Myths about Public Employee Pensions

MYTH: *Public employees can rely on Social Security in addition to their pensions.*

FACT: *Very few public workers receive Social Security benefits*—eighty percent of public workers do not qualify for social security. States may enter into agreements with the Social Security Administration and public employees could participate in Social Security. However, these agreements do not require Social Security benefits for employees covered by a state pension plan. In addition, certain categories of workers are excluded under the law entirely from participating in Social Security, such as emergency relief personnel and temporary workers. Even when workers are covered by Social Security and have a state pension, the amount of Social Security benefit may be reduced in proportion to the state pension under the “Windfall Elimination Program.”

MYTH: *Public employees do not contribute to their pensions, leaving taxpayers to pick up the tab for their retirement.*

FACT: *The vast majority of public workers contribute a percentage of their pay to their pensions.* Only three states (Florida, Utah, and Oregon*) do not require state employees to contribute to their pension. Public employees pay an average of 5% into their pensions—a similar amount to what their private sector counterparts contribute While government employers have in recent years unlawfully failed to contribute faithfully to their employees’ plans, public workers have continued to contribute. It is unsurprising, then, that in the period from 1996 to 2007, taxpayers shouldered only 14.3% of pension funding, with employee contributions and investment returns funding the remaining 85.7%.

MYTH: *Public employee pensions are too generous compared to the private sector.*

FACT: *The average public employee pension is only $19,000 per year after a full career of service.* Pension contributions from state and local employers make up only 2.9% of state spending on average. In the private sector, about 3.5% of employee compensation goes toward retirement funding. In fact, total compensation for state and local public employees trails private sector compensation by about 7.25%.

MYTH: *Public employee pensions are to blame for bankrupting states and causing budget shortfalls.*

FACT: *Budget shortfalls are due to poor state fiscal planning, management’s failure to make required contributions, and investment losses.* States now struggling to meet their pension obligations tend to be those states with major fiscal problems. Most states failed to make legally required contributions to their pension plans during boom years and now face the consequences of those poor decisions. Currently, no state or local pension funds are in fact insolvent—on average, plans should be able to pay at their current level for the next 13 years, even if there are no further pension contributions and no growth in assets.

*Oregon state employees agreed to a deal in the 1970s at the state’s request to have the state make required pension contributions in lieu of COLAs for workers.