

Recent Report on State Pension Funds Debunked by Experts, "Missed Opportunity to Challenge Wall Street 's Competence with Workers' Retirement"

"State pension plans are going broke, and only Wall Street can save us!" That's the plain language translation of the recent projection by Northwestern University Assistant Professor Joshua D. Rauh. The plain language translation of an analysis of his paper commissioned by the National Association of State Retirement Administrators (NASRA) and outside experts: "Your facts are wrong, your assumptions are invalid, and your recommendations are unhelpful. Other than that, great report."

Just last week, the Connecticut State Employees Retirement System's (SERS) independent actuaries projected that under current methods, the pension fund's assets will increase by more than 45% over the next 10 years. In contrast to Rauh's "doomsday by 2019" conclusion, Cavanaugh MacDonald Consulting's actuaries project Connecticut 's retirement system will be fully funded by 2040.

The Administration of Governor M. Jodi Rell and others who push "defined contribution plans" or 401(k) savings accounts over real pension protection for working families have seized upon Rauh's April 2010 paper. In recent news articles, it has been cited as the source for promoting a policy where workers take all the risk and Wall Street makes higher profits.

But studies show that the cost to provide the same level of retirement benefits by a real defined benefit pension plan is 12.5% of payroll versus a comparable 401(k) at a cost of 22.9%. And while real pension plans are "counter-cyclical" -- they help moderate downward turns in the economy by providing stable income to retirees during a recession -- 401(k) type plans actually help pull the economy further down.

The reality is that dropping less costly pensions in favor of risky savings accounts does not make economic sense.

"As a member of the Governor's OPEB (State Post-Employment Benefits Commission) Panel, I have seen the Administration's push for a defined contribution plan for state employees," said Sal Luciano , Executive Director of Council 4 AFSCME. "But we know that when taxpayers pay into a pension fund, they get a four to one return back into the economy as retirement income. Pensions are good for workers and they are good for the economy. Pensions are not the problem."

The State Employees Bargaining Agent Coalition (SEBAC) continues to advocate for real solutions to Connecticut 's fiscal problems, not phony solutions that scapegoat hard-working state employees. The current state pension plan costs less than 4.7% of payroll for the typical employee, much less than many large corporations pay. Connecticut needs responsible leadership committed to making payments to unfunded liabilities and to the retirements of public service workers.

"Rauh's report is a missed opportunity to challenge Wall Street's competence with workers' retirement," said Carol Thomas, a member of the State Treasurer's Investment Advisory Council who retired from the Department of Mental Retardation after more than 30 years of public service in 2003. "Retirees who rely on a 401(k) has no recourse for looking over corporate executives' shoulders to make sure they are being responsible. These CEOs think public pension funds are a nuisance because we're looking for secure and cost-effective investments and controlling run-away executive pay," said Thomas, who is also a member of CSEA/SEIU Local 2001's retiree council.

Council 4 and CSEA are two of the thirteen unions in the State Employee Bargaining Agent Coalition (SEBAC), which serves to unite approximately 45,000 Connecticut State Employees to address issues of common concern. To learn more about the coalition's campaign for a fair budget and a livable state with great public services visit www.InThisTogetherCT.org.