

# DEFINED BENEFIT PENSIONS

*The best path forward for states to provide retirement security to public employees and their families*

## What is a defined benefit pension?

Workers earn their pension by contributing a portion of every paycheck toward their retirement. Their contributions are combined with their employer's contributions and then that money is invested.

Defined benefit pensions offer low fees, asset diversification, longevity risk pooling, and professional management. Because of these advantages, pensions are able to provide equivalent benefits or better for about half the cost of 401(k)-style defined contribution plans.

**A defined benefit pension offers a guaranteed payment in retirement for the rest of someone's life.**

## Why are pensions under attack?

Over the last 30 years, the very wealthy have used their influence to manipulate the rules for their benefit. Politicians used the 2008 economic crisis to pass tax breaks for large corporations. The result has been that many states are now struggling to pay for basic vital services.

In many states, the total annual cost of corporate subsidies, tax breaks, and loopholes exceeds the total current annual costs for public pension plans. For example, in Louisiana, subsidy and tax break/loophole costs are more than five times the current pension costs, and in Florida they are about four times pension costs. [1] This is a question about priorities.

Wall Street financial interests also stand to make major profits from states switching from professionally-managed pensions to individually-managed 401(k)-style plans.

## THE FACTS

**It's about fairness.** Most public employees contribute a portion of their salary to their pensions – and they never miss a payment, so the government shouldn't either.

**Pensions are rebounding.** Public pension funds are returning to healthy funding levels following the Wall Street crash of 2008.

**Pension benefits are modest.** The average public employee earns \$25,000 in retirement. Nearly 28 percent of public employees do not earn Social Security.

**Pensions benefit the local economy.** Pensioners spur growth and development. Every dollar paid in pension benefits supports \$1.98 in economic activity.

**A promise is a promise.** Workers should not be losing their life savings because some politicians don't pay their contribution to pensions. Instead of cutting pensions by a few thousand dollars for hard-working teachers, firefighters, nurses, and others, we should eliminate special tax breaks for the wealthy and big corporations.

[1] Good Jobs First: Putting State Pension Costs in Context