PENSIONS BENEFIT STATE & LOCAL GOVERNMENTS

Defined benefit pensions are cost-effective: they deliver the same level of retirement security at half the cost of 401(k)-style plans.

Pensions help state & local governments meet their workforce needs.

- Pensions promote employee **recruitment** and **retention**.
- Pensions help governments **recruit high-quality employees** by providing unrivaled benefits.
- They **prevent costs** associated with employee turnover. On average, it costs approximately one-fifth of an employee's salary to replace that worker.

Pensions generate economic activity in local economies.

In 2014, pension benefits generated **$1.2 trillion** in economic output nationwide.
For every dollar paid out in pension benefits, it generates **$2.21** in economic activity.

On average, spending on public pensions represents 4.1 percent of direct spending by state & local governments.

By contrast, states spend nearly twice as much each year on corporate subsidies and tax breaks. In a survey of ten states, those ten spent nearly **$26 billion** annually on corporate subsidies and tax breaks, while they spent just over **$13 billion** on public pension costs.

EXAMPLE: PALM BEACH, FL

In May 2016, Palm Beach switched back to a defined benefit pension plan for its police officers and firefighters after moving to a hybrid-401(k)-style plan four years earlier. The city found that failing to provide a secure retirement harmed employee recruitment and retention. Police officers and firefighters would get trained in Palm Beach, but would then leave for departments in other cities with stronger retirement plans.

After moving back to a defined benefit pension plan for its public safety personnel, Palm Beach is now planning to enhance pension benefits for its general employees due to employee concerns about retirement preparedness.

San Jose, CA experienced similar challenges with employee recruitment and retention after it enacted drastic pension cuts. Utah, meanwhile, has had trouble recruiting new public safety personnel following cuts to pension benefits.

Sources
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