

General Pension-Related Talking Points

Not for disbursement

Sources:

NRTA/AARP/NIRS Pension Education Toolkit:

http://www.nirsonline.org/index.php?option=com_content&task=view&id=831&Itemid=202

NIRS: <http://www.nirsonline.org/index.php>

Pensions Are Earned Benefits

- In most state and local pension plans, unlike the private sector, employees contribute to their pension. Teachers have been contributing to their pension each and every paycheck and have earned their benefits.
- Public employers contribute just about 25 cents of every dollar of total pension fund receipts. Employees contribute another 12 cents, and the rest—a full 63 cents on the dollar—is made up of investment earnings.
- Teachers should be able to count on the benefits they've earned to help them live their retirement years with dignity.

Pensions are Important, Especially in Non-Social Security States

- Pension benefits in my home state of ____ are modest, averaging only \$___ a month. These modest benefits are particularly important to retirees in states who do not participate in Social Security. In these cases, a retiree's pension could be the only income they have in retirement.
- Earned pension benefits are a critical lifeline to America's middle class seniors. More than 4.5 million retired public employees and nearly 10 million retired private sector employees rely on a pension to make ends meet.

Pensions Are Efficient

- Group pension plans are an efficient use of taxpayer dollars because of several key features – pooled assets, professional management and low fees.
- By pooling and professionally managing assets, pensions are able to achieve “economies of scale.” (This is the same reason why shopping at a warehouse club saves consumers money—buying in bulk lowers the price.)
- Research has found that a group pension can achieve a target retirement benefit at about half the cost of individual retirement accounts (DC plans).

Pensions Boost State and Local Economies

- Please find your state-specific data on the economic impact of state DB plans and consider using this information in your talking points or as a handout for your visit.

http://www.nirsonline.org/index.php?option=com_content&task=view&id=184&Itemid=88

- Pension benefits have a positive ripple effect throughout the economy. When a retiree receives their pension check, they probably don't stuff it under their mattress—they spend it in their local economy. And the businesses where they make those purchases see a boost in profits and may be able to expand their business or even create new jobs.
- For every dollar paid out in pension benefits, **\$1.98** in total economic output was supported. For every taxpayer dollar contributed to state and local pensions **\$8.06** in total output was supported.
- Expenditures made from public, private, and federal government pension benefits in 2012:
 - Had a total economic impact of more than **\$943 billion**.
 - Supported **6.2 million American jobs** that paid nearly **\$307 billion** in labor income to American workers.
 - Supported more than **\$135 billion** in federal, state, local tax revenue.

Pensions Help Retain Qualified and Experienced Workers

- Education policy research finds that pensions play a critical role in recruiting and retaining qualified, productive teachers, which in turn improves outcomes for students and saves school districts and taxpayers millions of dollars otherwise spent on finding, hiring and training new teachers.
- The cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district. Additionally, public school teachers turn over less than private school teachers, largely due to their compensation, including pension benefits.
- DB pension plans help to recruit high quality teachers, and to retain highly productive teachers longer, as compared with defined contribution (DC) individual retirement accounts.

Transitioning from DB to DC is Expensive

- Establishing a DC plan, or even a hybrid plan for new hires comes with a significant price tag (otherwise known as transition costs) and moving from a DB to DC plan does nothing to reduce existing unfunded liabilities of the DB plan.
- Transition costs happen for several reasons. One, because it is more costly to run multiple plans. Two, closing the DB plan to new hires forgoes new employee contributions and puts more pressure on the employer to make up that loss. Third, having an older pool of plan participants requires a more conservative investment strategy and lower investment returns, placing more pressure on employer contributions.
- Most states that have studied the issue have concluded that continuing to provide retirement benefits via DB pension plans meets the joint interests of fiscal responsibility for employers and taxpayers, and retirement security for employees.

The Impact of the Great Recession

- The stock market decline that began in the fall of 2007 and lasted through the spring of 2009 was unprecedented in recent history. Like all investors, pension plans were hurt in the stock market crash and saw their holdings fall in value by \$889 billion between 2007 and 2008.
- Since that time, the stock market has rebounded and so has the value of public pension funds. However, it will still take time for households and institutional investors alike to fully recover.
- At the same time, states have already made significant pension reforms. Forecasts show that in most cases, these reforms should fully offset the effects of the economic downturn.

Teachers are Dedicated Professionals and Deserve Our Support:

- Teachers are dedicated professionals who have spent their whole careers educating our children, serving others and their communities, and often take money out of their own pockets to help their students learn.
- We should honor our nation's teachers and the commitments we've made to them by protect the benefits they've earned over a lifetime of hard work.