

FACT: The public pension system assists in ensuring the delivery of vital public services.

For more than 100 years, the traditional public pension system has proven to be a stable, reliable, and cost-effective method for helping ensure the delivery of essential taxpayer services, such as:

- Emergency & First Response – Medical, 911, Disaster Relief
- Police Protection
- Firefighting
- Healthcare Services
- Child Welfare Protection
- Education for Children K-12 and College
- Prison & Correctional Services

Continuing to provide a modest pension – on average only \$19,500/year– enables state and local government to retain and recruit a strong and experienced workforce needed to continue to provide these services.



MYTH

**It is a myth that taxpayers
will benefit from a radical
reform of the public pension
system**

Many cities and states experience labor shortages in key positions.

Supplanting the existing system with private accounts will diminish states' and local governments' ability to manage its workforce – especially those in high-risk and stressful positions.

FACT: Taxpayers will pay MORE to move to millions of private accounts.

Taxpayers will foot the bill for the high costs to transition from a proven pension system to a system of millions of private accounts. Estimates indicate that the costs to shut down the traditional pension system, set up new private accounts, and educate participants in California to be more than 9 billion – and no projected cost savings until 2026.

Taxpayers also will pay an additional cost for death and disability pension benefits now cost-effectively provided through the existing pension system. These benefits are critical for police, firefighters and others in hazardous occupations. Governments will have to pay commercial insurance companies to set up death and disability plans, or will have to separately fund plans themselves. Either way, taxpayers pay more.

FACT: The traditional public pension system is sound.

The traditional pension system is the most cost-effective solution to ensure taxpayers continue to receive vital services.

Taxpayers contribute less than 26 cents for every dollar paid out in pension benefits. The remainder is funded by investment income and employee contributions.



MYTH

It is a MYTH that funding shortfalls exist because pension plans are too generous.

In fact, the average retirement pension is only about \$19,500 per year. For this, taxpayers contribute less than 26 cents for every dollar paid out in pension benefits.

FACT: The traditional public pension system is a vital stimulus to the economy.

Public pensions are an important and continuous source of economic stimulus to every state, city, and town across America. The traditional system distributes more than \$130 billion annually—an amount greater than the economic output of nearly half the states. Additionally, the \$2.5 trillion (in real assets, not IOU's) held by these plans are an important source of liquidity and stability for our financial markets. The higher returns generated by these pooled and professionally-invested funds contribute an estimated \$240 billion (or 2%) more to GDP than if they had been invested in private accounts.



MYTH

It is a MYTH that our economy will benefit from a new system of private accounts.

In fact, a shift to private accounts will have a detrimental impact on our local economy because businesses depend upon the stimulus of investment income from the traditional pension system.

FACT: States that have attempted reform of the public pensions have failed to achieve savings.

States that have experimented with private accounts as workers' primary retirement benefit have found that they are better off working within the traditional pension plan framework than switching to a system of thousands of private accounts. Most states have recognized that traditional pension plans are cost-effective, efficient, create value, and help workers attain a modest, stable retirement. For example, West Virginia moved from a traditional pension plan to private accounts – and then recently returned to a traditional plan. Florida, Nebraska, and North Dakota also found that a new system of private accounts did not yield the savings expected from switching from the traditional plan.



MYTH

It's a MYTH that private accounts will generate increased retirement income.

States that experimented with private accounts saw lower investment returns – nearly a 50 percent reduction.