AFSCME FACT SHEET

AFSCME Public Pensions Fact Sheet
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Public employee pensions are an irreplaceable source of security for public employees. Nationally, the average AFSCME member earns less than $45,000 per year and receives a pension of approximately $19,000 per year after a career of public service.

AFSCME members typically contribute towards the cost of their pension.

While government employers have often failed to faithfully contribute to their employees' plans, public workers have contributed year in and year out. In fact, taxpayers shouldered just 14.3% of all pension funding in the eleven year period ending in 2007.

Employee contributions and investment returns provided for the rest. Public workers often are not covered by Social Security, so the government is not paying 6.2% of workers' pay into Social Security that all other employers pay. In addition, the worker does not qualify for Social Security benefits so his/her pension is the only source of retirement security.

To the extent loopholes in plan benefit formulas allow for unjust enrichment such as "spiking" of final salary to gain a higher annuity, those loopholes should be closed. AFSCME has worked to end spiking, double-dipping and other unjust gains from the pension system

wherever the problems have emerged. However, it is important to keep in mind that while the isolated story of the $100,000 a year pensioner makes the headlines, annuities that size are earned by less than 1 or 2 percent of all pensioners. And, although loopholes should be closed, closing the loopholes will not resolve the pension funding challenges.

State and Local government pensions are, for the most part, well managed and are not the source of budget problems for most states and local governments. There has been considerable distortion of the size of the unfunded liabilities of public pension funds. Although the aggregate number may have some academic interest, it's not very relevant because all pension funding is local or state based, not national. Nevertheless, the aggregate number, which most impartial observers set at $500 billion to $1 trillion, while seeming large, is not particularly onerous when the following facts are considered:

o The unfunded pension liabilities may be paid over a period of 30 years under generally accepted accounting rules issued by the Governmental Accounting Standards Board (GASB);

o During this thirty year period, state and local government revenues will be approximately $40 to $50 trillion, so the unfunded liabilities are approximately 2% of governmental revenues over the payback period;

o Because of the recession, a substantial majority of state and local governments have lost between 10% and 20% of their revenues over the past two to three years. As revenues recover, governments will be able to set aside appropriate money to cover their pension obligations.

In 2008, state and local government pension expense amounted to just 3.8% of all (non-capital) spending. Contributions are expected to increase in the future to cover for investment loses and many public employers' failures to adequately contribute in the past. However, the increase in the contribution rates will result in pension costs, in aggregate, approximating a still manageable 5% of all state and local government spending by 2014 and beyond. The 5% figure includes both paying off unfunded liabilities and paying for new benefit accruals.

Prior to the market crash in 2008 and 2009, public pensions had, on average, 86% of the assets they needed to pay for accrued benefits. (Anything over 80% is considered healthy.) Despite the market downturn, pension funds are not at imminent risk of default and they have years to recover investment loses. The history of public pension fund management demonstrates that pensions have a significant economic impact: 2.5 million American jobs and $358 billion in economic activity each year.