Pew public pension report disputed by public pensions

By Editor Test *Wed, Jun 27, 2012*

Hank Kim of NCPERS says that the recent Pew Public Pension Report paints an overly bleak portrait of the present and future financial condition of state pensions.

"The Pew Center on the States this week released an update to its 2011 analysis of public pension funds that is crippled by the same problems as last year's study – the unfortunate reliance on out-of-date data and faulty assumptions. As a result, Pew's *The Widening Gap Update* comes to misguided conclusions that dramatically overstate the challenges facing public pensions," said Hank Kim, director of the National Council of Public Employee Retirement Systems, in a statement this week.

"This update relies on Fiscal Year 2010 data – meaning much of the data is actually from calendar 2009 – when institutions of every kind were still struggling up from the low point of the Great Recession. So much has changed in the ensuing months that Pew's analysis is virtually without value."

NCPERS has been pushing the Secure Choice Pension, a model program that would allow workers in small private sector businesses to join state defined contribution plans.

The Pew study said in part, "States' public sector retirement funding gap for both pensions and retiree health benefits grew by $120 billion, from $1.26 trillion to $1.38 trillion, from fiscal year 2009 to 2010. The largest part of that year-over-year growth was the increase in pension liabilities ($126 billion), which outpaced the growth in pension assets ($29 billion). The total public pension liability in 2010 was about $3.07 trillion; assets were $2.31 trillion, leaving a $757 billion gap."

Kim added, "The recently released 2012 NCPERS Fund Membership Study–which relies on the most current data available, Fiscal Year 2011 data from no less than 147 public pension funds – paints a much different, much more accurate and far more positive picture.

"The truth is that the vast majority of public pension funds continue to be solidly funded. All longer-term investment returns (three-, five-, 10- and 20-year returns) grew higher, pointing to continuing long-term improvement in funded status – an extremely positive sign, given the long-term nature of pension fund liabilities."