

Pension News

FPPTA: The voice of public pension plans in Florida

Employees Prefer Benefits

In survey after survey, public employees have expressed a preference for benefits over a pay raise, vacation time, or bonuses. According to NCPERS, 86% of public employees surveyed said their pension was a major reason they took the job, and 58% said they would be more likely to leave the job if the pension were cut. Additionally, 80% of public employees surveyed said the pension benefit is superior to a 401(k).

Public workers are largely happy with their compensation packages, with two out of three saying their pension is a major reason they will stay in the job. Public employees have longer tenure than their private sector counterparts who have responded that they would exchange many things for a guaranteed retirement plan, including pay raises, bonuses, and more vacation time. *Of 54 benefits, retirement ranked third as a measure of employee satisfaction. Only health insurance and parental leave ranked higher.

*(2018 Glassdoor Employee Satisfaction Survey)



When the true value of a defined benefit plan is weighed, employees choose retirement benefits over most other remunerations



Defined benefit plans outperform 401(k)s with better earnings and less risk, because they are managed by institutional investment managers.

Professionally managed DB plans score every time.

Defined benefit pensions are managed by a team of professionals who specialize in institutional investment. They routinely return more money on their investments than do individuals managing a 401(k) account.

In down markets DC accounts lose about 25% more than DB plans, and in up markets they earn about 25% less, according to financial journalist David Cay Johnson.

DB plans have a shared risk pool, making them better able to survive down markets and giving them a longer investment horizon. DC accounts have higher risk because there is no shared risk. Individual investors must withdraw their money from the market as retirement age approaches.

DB plans are professionally managed and are more diversified. They are also up to 48% less expensive to operate because they can take advantage of cost efficiencies a 401(k) account cannot.

Defined benefit pension plans are pre-funded. A plan that is 80% funded already has all the money needed to pay 80% of promised benefits to all current *and future* employees. Since all employees will not retire at the same time, the plan has a decades-long contribution and investment cycle to earn the 20% unfunded liability.

Perhaps most importantly, public employees contribute to their pension plans with every paycheck for the duration of their careers - no early withdrawals allowed. Their pension is not a gift, it is deferred compensation, supported and financed with worker contributions.

DB plan vastly outperforms IRAs and 401(k)s with more earnings and less risk.

Did you know that about 60% of every retirement benefit check is financed with earnings on the fund?