The Power of Public Pensions
Agenda

• History of Pensions
• Pension Debate
• Dollars and Sense
• Follow the Money
• Building Blocks of Partnership
• Conclusion
History of Pensions

- American colonies
- Continental Congress: Army and Navy forces
- 1850 – Large cities for police, fire, teachers
- 1911 – Massachusetts
- Prior to 1920s – Congress discretion
- 1920 – U.S civil service workers
- 1920s – Public sector coverage
History of Pensions

- Attract and retain quality employees
- Provide performance incentives
- Ensure orderly retirement
Pension Debate

• Public pensions are too generous
• Validity of government’s role in public pension plans
• Pension contributions are “crowding out” vital public services
• Shift to riskier investment vehicles
• Rising pension costs impact a city’s solvency
Pension Challenges

- Increasing number of retirees
- Lower birth rates
- Lower ratio of active employees to retirees
- Longer life expectancy
- Investment returns / lower assumptions
- Pension liabilities listed as debts
Dollars and Sense

• Expense or investment
  – National
  – State
  – Local
• Micro versus macro view
• Short term versus long term perspective
• Three-Legged Stool
Follow The Money

- Corporate
- Transfers
- Property
- Sales

A a

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Pension Impact in Texas

• Over 552,000 residents received over $12.1 B in state and local pension benefits
• Over 62% of funds from investment earnings
• Average monthly pension benefit: $1,829
• Retiree expenditures supported over 146,000 jobs
• $3 B in federal, state, and local tax revenues
• $7.5 B in total income to state residents supported by pension expenditures
• $23.7 B in total economic input
The Multiplier Effect

Total Economic Impact

$23.7 Billion

DIRECT IMPACT
$9.0 billion

INDIRECT IMPACT
$8.8 billion

INDUCED IMPACT
$5.9 billion
A retired employee... uses their pension to buy a car.

As a result of that purchase, the owner of the car dealership, the car salesman, and each of the companies involved in the production of the car all see an increase in income and spend that additional income.

These companies hire additional employees as a result of the increased business and those employees spend their paychecks in the local economy.
Pension Debate Flipside

- Fiscally responsible
- Broad economic footprint
- Pooled risks offer protection
- Professional management yields higher returns
- Market fluctuations
- Cost effective
Pensions Matter

- Pensions are highly valued
- Reduced need for public assistance
  - Poverty rates 6 times greater with no pension
  - 4.7 million US households escaped “poor” or “near poor”
- $7.3 billion savings in public assistance
- Absence of pension = 40% higher spending in public assistance
- Pension income =
  - 1.72 million fewer poor households
  - 560,000 fewer food hardship households
  - 380,000 fewer health care hardship households
City WIIFM

- Recruiting and retention of staff
- Morale of work force
- Productivity of work force
- Positive economic impact in the community/city
- Less pressure on City resources
- City maintains resources for other needs and programs
Employee WIIFM

- More committed to stay with the City
- A reliable retirement benefit for life
- Reduced risk for financial hardship
- Reduced need for public assistance
- Financial, mental and emotional well-being
Building Blocks of Partnership

- Shared Vision and Purpose
  - Leadership
  - Defined Roles and Responsibilities
    - Unique Strengths
    - Collaboration
    - Continual Learning and Development
      - Trust
      - Respect
      - Communication
      - Commitment

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Power of Partnership

- Working together for a common cause, common benefit, common end result creates unity
- Facing challenges together makes everyone stronger
- Taking care of our own
- Making a difference
  - Individual
  - Community
  - State
  - Nation
What’s It Going To Take?

All stakeholders working together:

• City – complete enrollments, ongoing education, financial contributions
• TMRS – quality service, prudent investments, responsible accounting, timely and accurate pension payments
• Employees – education and understanding of their benefits, contributions
Final Thought...

“Alone we can do so little, together we can do so much.”

- Helen Keller
Questions?
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