Opinion: The coming public pension apocalypse

By Ed Ring, California Policy Center

When the next market downturn hits, every public employee pension fund in the United States will face severe challenges. Because public employee pension funds are not subject to the same rules that private pension funds have to adhere to – namely, the restrictions on risky investments as specified in the federal Employee Retirement Income Security Act of 1974 – they will be hit much harder in a downturn than private pension funds. Some states will face more significant challenges than others. California is destined to be one of the hardest hit.

This discussion of California's coming public pension apocalypse has three sections. Part one will make the case, yet again, that public employee pension funds cannot possibly hope to earn the rates of return over the next 20 years that they earned over the past 20 years. Part two will show the precise impact that lower rates of return will have on the unfunded liability, the normal contribution, and the unfunded contribution – using projections that show all of California's state and local public employee pension funds in a consolidated report. Those who are already convinced that pension funds are headed for trouble are encouraged to skip immediately to part two, to see exactly how many hundreds of billions we're talking about.

Read the whole story