Pension Cost and Intergenerational Fairness

Is it fair to one group of taxpayers to pay more than another into the public-pension fund because the market didn’t do particularly well that year?

In his Aug. 23 letter responding to your Aug. 13 editorial “Saving New Jersey, if That’s Possible” highlighting the pension funding challenges of New Jersey, C.M. Kase suggests that all governmental agencies with public pensions should have them fully funded by the end of each year and any excesses applied to the following year. That is not the correct answer. It’s unfair to taxpayers. This is mixing apples and oranges and using one pension funding situation to spoil the conversation on the health of all public pensions.

I agree that pensions should be fully funded, but not all at once. From bull markets to bear markets, the stock market fluctuates. Is it fair to one group of taxpayers to pay more than another into the public-pension fund because the market didn’t do particularly well that year? I don’t believe it is, and that’s why I’ve made a concerted effort to educate the public about intergenerational equity which makes sure the government’s contributions to its pensions are level over time and therefore fair to all generations of taxpayers. To keep pensions in good health, governments need to do what most public workers already do for their pensions—make consistent contributions. The employee contributions, coupled with using the market to fuel the pensions and governments making regular and actuarially determined contributions to the pension funds, is the right formula. It’s the formula that gets governments able to deliver on their pension promises. There are many states and cities already doing it right, like New York City.

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