



NATIONAL COUNCIL ON TEACHER RETIREMENT

2010-2011
Ronnie Jung
President

NCTR Staff
Jim Mosman
Executive Director
jimosman@nctr.org

Robyn Gonzales
Office Manager
rgonzales@nctr.org

Leigh Snell
Washington Federal Relations
lsnell@nctr.org

7600 Greenhaven Drive
Suite 302
Sacramento, CA 95831
Tel: (916) 394-2075
Fax: (916) 392-0295
Web: www.nctr.org

January 11, 2011

Letters to the Editor
The Wall Street Journal
1211 Avenue of the Americas
New York, NY 10036

To the Editor:

Teacher pensions DO work. Former New York City schools chancellor Joel Klein didn't do his homework, and his recent essay deserves a failing grade.

The difference between Bernie Madoff, who claimed he was getting 8 percent returns on his clients' investments, and the nation's public pension plans, is that Madoff was pretending to make his number, while public pension plans have actually been earning their assumed 8 percent return - and then some.

For the 25 years ending 12/31/09 – a period that has included three economic recessions and four years when median public fund investment returns were actually negative – public pension funds' median investment return was 9.25 percent.

That, Mr. Klein, is the difference between a Ponzi scheme and a good deal for taxpayers.

Mr. Klein also forgets that teacher pensions are pre-funded, which means that retirees' benefits are paid from pension trust fund assets, and not on a pay-as-you-go basis out of state and local governments' general revenues. The value of these pension assets has rebounded sharply since their mid-2009 lows, and now totals over \$2.73 trillion, their highest level in two years. Finally, the majority of these trust fund monies – 72 percent from 1982 to 2008, according to the U.S. Census Bureau -- are made up of employees' contributions and investment earnings.

Consequently, in 2008, while government sponsors contributed \$82 billion to pre-fund their pension plans for the future, the funds themselves paid out a total of \$175 billion in benefits for today's retirees – a \$93 billion difference that states did not need to divert from their operating budgets thanks to these pre-funded pension plans. And of this \$175 billion in benefits paid to retirees, approximately \$126 billion came from their own paychecks, when these retirees were active workers, and investment earnings on employee and employer contributions; only 28 percent was comprised of taxpayer dollars.

Teacher defined benefit pensions are smart, effective tools to help keep teacher recruitment and retention costs as low as possible, providing modest, dependable retirement security at about half the cost to taxpayers of other pension models. Just like the teachers they serve, these pension systems deserve respect -- not factually incorrect criticism -- for the important role they play in preserving and enhancing the quality of our nation's education system.

Sincerely,

Jim Mosman, Executive Director