JOINT ECONOMIC COMMITTEE
SENATOR CHARLES E. SCHUMER, CHAIRMAN
REPRESENTATIVE CAROLYN B. MALONEY, VICE CHAIR

Statement of Carolyn Maloney, Vice Chair
Joint Economic Committee Hearing
Public Pension Plans
July 10, 2008

Good morning. I would like to thank Chairman Schumer for holding this hearing to examine public pension plans and how they affect retirement security, entrepreneurship and economic growth. I also want to thank Senator Casey for chairing.

The current turmoil in the financial markets, the housing crisis, increasing credit card indebtedness, and the economic downturn have exacerbated concerns about the retirement prospects of many Americans. Rising unemployment, long-term joblessness, and falling or stagnant wages are leaving workers feeling not only squeezed now, but also unable to save for retirement in the future. Unfortunately, economic downturns and bear markets have lasting, as well as immediate, implications.

Over the past two decades, employer-sponsored retirement plans have not only declined, but also have steadily shifted the risk and responsibility of retirement investment to workers. Employers increasingly have abandoned the promise of defined benefits at retirement for defined contribution plans, where the individual ultimately ends up bearing both the risk of longevity and investment decisions before and after retirement.

As a result, today too many Americans are either worried that they won't have enough money saved for a comfortable retirement or they won't ever be able to retire. This is particularly true for women, who typically live longer than men, but earn less over their lifetime.

Our focus today is on public pension plans, which offer a model for providing retirement security to workers. In the defined benefit plans offered by public pension systems, individuals are provided a steady stream of income throughout their golden years that is protected from market fluctuations. Moreover, public pension plans typically have lower costs and fees while generating higher returns than defined contribution plans, because they have a wider range of investment expertise and opportunities available to them than individuals do.

As Mr. Pryor points out in his testimony, employee contributions and earnings from investments make up the vast majority of public pension funding, not taxpayer funds. In contrast to private defined benefit plans, most public employees contribute to their pension plans. Defined benefit plans help to attract and retain talented employees – firefighters, police officers, teachers – to a life in public service.

The advantages to workers are clear, but there are also economic benefits that are not as well known. Defined benefit plans provide a “patient pool” of available capital for investment, such as venture capital, which leads to job creation and the promotion of new industries and technologies. In the current credit crisis, pension plans have played an important role in providing liquidity to the markets.

Mr. Chairman, thank you for holding this hearing and I look forward to the testimony today.

###