All stakeholders—employers, employees, and taxpayers—share a common interest in seeing that public pensions are adequately funded and prudently financed over the long haul because pensions:

- Help recruit and retain a skilled public workforce.
- Are cost-efficient and can provide the same level of retirement security for half the cost of defined contribution-type plans.
- Provide a modest yet predictable income that lasts throughout an individual’s retirement.

**STRONG PUBLIC PENSIONS PLANS ARE A SHARED FUNDING RESPONSIBILITY**

<table>
<thead>
<tr>
<th>Investment Returns</th>
<th>Employee Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3.7 trillion</td>
<td>$730 billion</td>
</tr>
<tr>
<td>62%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Even though they have about a 30-year time horizon, public pensions are pre-funded and already hold about three-fourths of the assets required to pay current and future benefits.

The aggregate actuarial value of assets in 2014 grew by eight percent from $2.74 trillion to $2.96 trillion.
EMPLOYER CONTRIBUTIONS ARE CRITICAL TO A STRONG PENSION PLAN

A critical measure for any sound public pension funding effort is the “annual required contribution,” or the ARC, by the employer.

If the plan receives contributions equal to the full ARC each year, it will stay funded or make progress toward full-funding.

PUBLIC EMPLOYEE CONTRIBUTIONS ARE INCREASING TO ENSURE STRONG PUBLIC PENSIONS

The amount public employees typically are required to contribute from each paycheck to their pension.

35 states have increased employee contributions since 2009 to ensure financial sustainability of public pensions

- States that have increased employee contributions

PENSION PLANS MUST BE WELL MANAGED AND PROPERLY FUNDED ON TIME, IN FULL

Three key aspects of pension plan management must be tightly linked:

1. The funding policy describing how employer and employee contributions are made;
2. The investment policy, dictating how contributions are invested;
3. The benefit policy that governs how employees earn benefits.

When “best practices” are in place, public pension plans are sustainable over the long term.

Sources: Sources of Public Pension Funding, National Association of State Retirement Administrators
Public Fund Survey, National Association of State Retirement Administrators
Employee Contributions to Public Pension Plans, National Association of State Retirement Administrators
Strong Public Pensions for Today and Tomorrow, National Institute on Retirement Security