PROTECT YOUR DEFINED BENEFIT PLAN

Many legislators and anti-government activists would like to do away with our pension benefits. This would be a huge loss for workers in the public sector. Here are some of the advantages of a Defined Benefit (DB) plan to workers and to their employers:

- **Guaranteed Benefits, Lower Risks**
  - Fixed and predictable
  - Based on service, salary and age
  - Paid out of a pool of invested assets

- **Better Investment Returns:**
  - Professional investment management with lower administrative costs
  - Average 1% better annual returns, for a 25% better outcome over 30 years.
  - From 1975 to 1999, 70% of the funding for public pension plans came from investment returns

- **Can provide additional benefits**
  - Cost of Living Adjustments to retirees’ monthly benefit
  - Disability pension benefits
  - Spousal benefits
  - Guaranteed income to other beneficiaries
  - Early retirement benefits

- **Allows government to attract qualified employees and retain loyal workers, even at lower wages than the private sector.**

WHAT’S WRONG WITH A DEFINED CONTRIBUTION PLAN?

- Employees bear all the risk for investment losses
- The plan can’t guarantee your benefits
- Can’t deliver the same level of benefits with the same level of funding
- Can’t pay disability pensions or cost of living adjustments
- Defined Contribution (DC) plans have higher administrative costs for employer, and employee, and are not likely to attain an equal benefit as compared to a DB plan
- Changing to a DC plan still leaves DB benefits to be paid, even if they are under funded now

RESOURCES

- Pension Rights Center
  - [http://pensionrights.org/](http://pensionrights.org/)
- National Institute on Retirement Security
- Center for Retirement Research at Boston College

PRIMER ON PUBLIC PENSION PLANS

“There is an unprecedented attack on public sector workers, their jobs and benefits. Years of tax cuts for the rich have starved our government when citizens need it the most. And now they are trying to finish the job.

“Learning about your pension is the first step to protecting your benefits.”

Brooks Sunkett
CWA Vice President for Public, Health Care & Education Workers

April 1, 2010

For $2,200/mo., Starting at Age 62

<table>
<thead>
<tr>
<th></th>
<th>DB Plan vs. DC Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$354,962</td>
<td>$549,903</td>
</tr>
</tbody>
</table>

Source: Graphic created by Natl. Institute on Retirement Security
You choose how to invest your money
Account grows if your investments succeed, but the risk is yours
When you retire you live on what you have in your account

**In an Employer-Sponsored Defined Benefit Pension Plan**
- Employees and employers redirect wages to fund retirement benefits
- Professionally invested
- Benefits based on your service and earnings
- Benefits are guaranteed for as long as you live

---

**Access to Retirement Savings Options**

<table>
<thead>
<tr>
<th></th>
<th>PRIVATE SECTOR</th>
<th>PUBLIC SECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Savings Only</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>Defined Contribution Plan (may have DB plan)</td>
<td>54%</td>
<td>29%</td>
</tr>
<tr>
<td>Defined Benefit Plan (many have DC plan too)</td>
<td>21%</td>
<td>83%</td>
</tr>
</tbody>
</table>


---

**Where Does the Funding Originate?**

- **Employee Contributions**: 48%
- **Employer Contributions**: 52%
- **Investment Earnings**: 69%

Source: National Institute on Retirement Security, February 2009