Strengthen, don’t break, Iowa’s public pension plans

By Peter S. Fisher

A stable and durable public pension system, efficiently managed and funded, is important to employees, employers, the state, and the economy. In Iowa and most states, public-sector pension systems remain strong and healthy.

For that reason, Iowans should not be distracted by the scare tactics or false choices presented by Deborah Thornton’s guest opinion in the Press-Citizen (“Pension reform in Utah could be model for Iowa,” March 9).

Her race-to-the-bottom argument presupposes a need to overhaul Iowa’s pension systems, a position that ignores the fundamental stability of those systems — particularly IPERS. And her “solution” for Iowa would make pensions risky, rather than the dependable, secure financial plan that retirees need.

Iowa’s “defined benefit” plans are a less costly and more efficient approach than the “defined contribution” approach, similar to a 401k, that Thornton and the corporate world prefer.

The defined benefit plan pools risk and is managed by investment experts — a strength demonstrated in the rebound of IPERS assets that had been reduced by the 2001 and 2008 recessions that whacked all pension plans, public and private, defined benefit or defined contribution.

Despite a turbulent decade, the foundations of all four Iowa public pension plans remain strong. These foundations, based on strong asset values and a low debt to state income ratio, allow for restructuring to be gradual and inclusive.

The goal of a pension system is to provide a secure retirement. This requires an adequate monthly income over the individual’s lifetime, no matter how long — the purpose and promise of a defined benefit plan. In contrast, defined contribution plans set the annual contribution to an individual’s retirement account, but offer no guarantee of an adequate annual income in retirement.

Since defined benefit plans are a more efficient vehicle for providing income security, any move to a defined contribution plan that saves the state money does so by cutting benefits substantially, which is the real goal of many who argue for it.

The nonpartisan Iowa Policy Project demonstrated many of these points in a report last December, “Public Pensions in Perspective: Why Foundations of Iowa, Many State Pension Systems are Strong.” [http://www.iowapolicyproject.org/2013Research/131212-pension-XS.html](http://www.iowapolicyproject.org/2013Research/131212-pension-XS.html)
Among our conclusions:
— Iowa is comparatively low in state spending on pension plans and can increase its commitment.
— The state should make every effort to meet its actuarially recommended contribution (ARC).
— Incremental steps to “course-correct” are more effective than quick fixes because of the long-term nature of a pension system.

Contrary to unusual cases in Illinois and the city of Detroit, serious analysis shows Iowa and most states have generally healthy and well-managed plans that are built to last over the long term.

We should recognize the strength of Iowa’s pension plans and seek to enhance them — and not be breaking something that works.

Peter Fisher is research director of the nonpartisan Iowa Policy Project (IPP) in Iowa City and co-author of the report, “Public Pensions in Perspective: Why Foundations of Iowa, Many State Pension Systems are Strong.”