



POLITICS AND GOVERNMENT

'Overly generous' gov't pensions a burden

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State and local governments are scrambling to make up for pension fund shortfalls that were exacerbated by the economic recession.

Even before the recession hit, state and local pensions were underfunded by about a trillion dollars -- and recent data indicates that underfunding may be three times as large. The

New York Times reports that states and other bodies of government are now incurring greater risk to make up for that shortfall by investing in commodity futures, junk bonds, foreign stocks, discounted mortgage-backed securities, and margin investing.

Tad DeHaven, a budget analyst at [Cato Institute](#), says taxpayers are being set up for an unwelcome surprise.

"Eventually this is a burden that's going to have to be borne by future taxpayers," he laments. "So what policymakers need to be looking at is reversing the overly generous benefits that state and local employees have been provided through the years.



DeHaven

"If you look at private compensation versus public compensation, [if] you look at the whole package, public employees are doing *much* better than their private counterparts," he summarizes.

DeHaven argues the only solution to the pension funding shortfall is for state and local governments to stop new hires from joining defined pension plans and reduce the extravagant benefits that have been accruing to state and local government employees.



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