

FAQs

Q: Why should I care about Missouri's Public Pensions?

A: Taxpayers are on the hook to make up any shortfalls in public pensions. Any such shortfall is a pension's unfunded liability (the amount of liabilities in excess of a plan's assets).

Q: Are Missouri public pensions in good financial shape?

A: No. Only nine out of 89 state and local pension plans that have a defined benefit component have assets that match or exceed their liabilities. The problem is even worse because most of these plans use high discount rates to estimate their future liabilities.

Q: What is a discount rate?

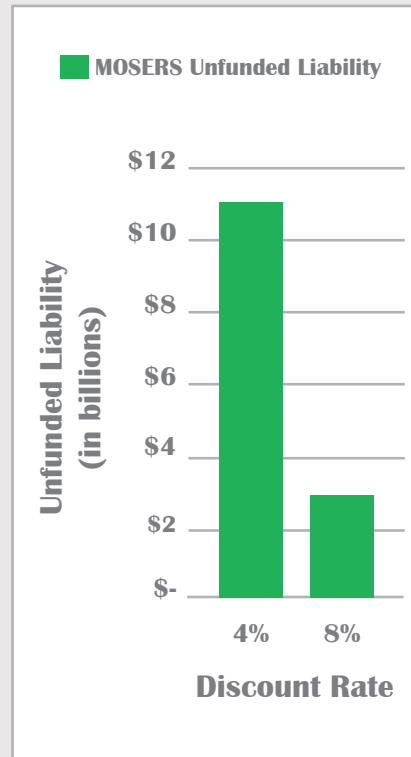
A: The discount rate is the interest rate that pension plans use to translate future liabilities into current dollars. It tells you the assets you should have currently in order to make a known future payment. The difference between this number and the value of the plan's assets is the plan's "unfunded liability."

Q: Are public pensions justified in using high discount rates to estimate their liabilities?

A: No. Nearly all economists agree that pensions should use discount rates based on the risk of the promised benefits not being paid. Because pensions are legally obligated to make their payments, the risk of not meeting their obligations is low. Thus, the discount rate should also be low. However, more than 83 percent of public pension plans in Missouri use a high discount rate.

Sources: This fact sheet is based on the Joint Committee on Public Employee Retirement Annual Reports and Andrew Biggs' paper, "Public Employee Pensions in Missouri: A Looming Crisis." For more information, visit: www.smiinfo.org/FastFacts2014.

MOSERS UNFUNDED LIABILITY (2012)



* Above comes from 2013 paper on calculating pension liabilities. Figures have changed since then.



MISSOURI FAST FACTS



A Snapshot of Missouri's State & Local Government Pensions

A Show-Me Institute Publication

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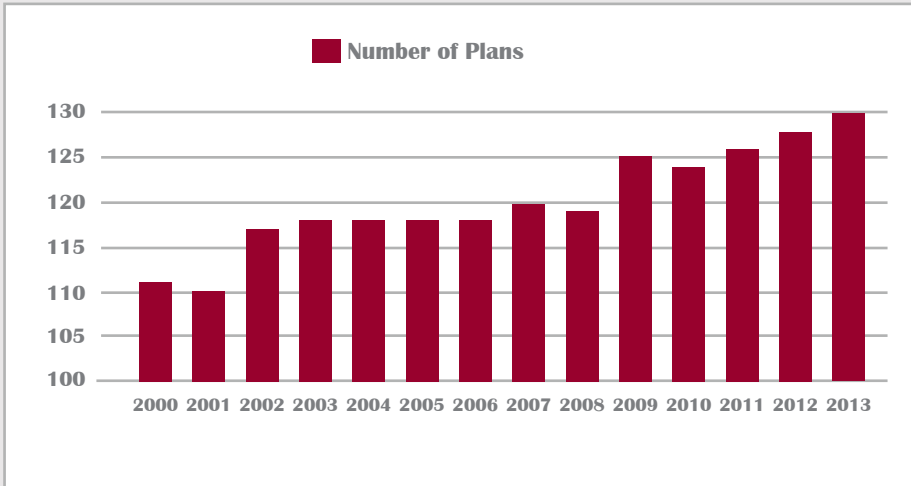
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FOR MISSOURI PUBLIC POLICY

NUMBER OF PUBLIC PENSIONS IN MISSOURI

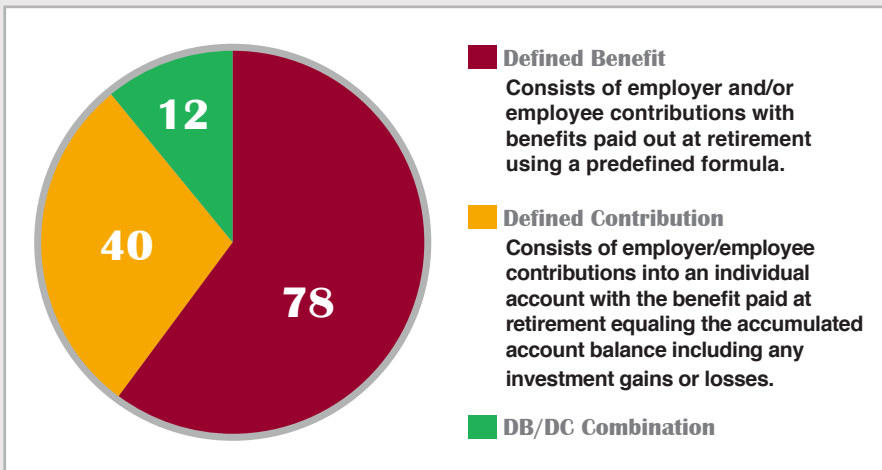


NUMBER OF MEMBERS IN MISSOURI PUBLIC PENSIONS



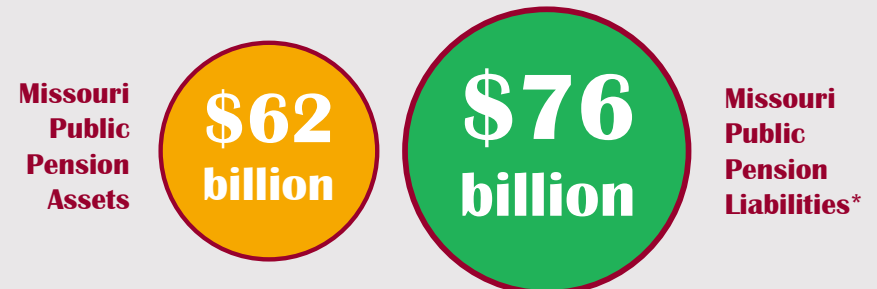
MISSOURI PUBLIC PENSION PLANS BY TYPE

As of Plan Year 2013



MISSOURI PUBLIC PENSION ASSETS AND LIABILITIES

As of Plan Year 2013



The current unfunded liability based on plan numbers is \$14 billion (\$76 billion minus \$62 billion).

*Eleven percent of plans assume 8 percent returns on their investments; 70 percent of plans assume returns between 6.5 percent and 8 percent; and 19 percent of plans assume returns of 6.5 percent or less.