

**PRESS RELEASE**

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***NEW study exposes five pension “non-reform” reforms  
How do we move from defined-benefit to defined-contribution plans effectively?  
Private sector actuarial expert lays out a five-point plan for comprehensive public pension reform***

## **WHY MOST PUBLIC PENSION REFORM EFFORTS WILL COME UP SHORT**

**February 4, 2013:** A recent spate of public sector pension “reforms” have been celebrated as budget-savers at the state and local level. But these reforms do little or nothing to reduce existing unfunded liabilities. On Monday, February 4, 2013, the Manhattan Institute’s Center for State and Local Leadership released a new report, *Fixing The Public Sector Pension Problem: The (True) Path to Long-Term Reform*, by senior fellow **Richard C. Dreyfuss**, former director of compensation and benefits at the Hershey Company.

With more than two decades of private sector actuarial experience at a Fortune 500 company, Dreyfuss emphasizes that adequate funding must be arranged by reducing, if not eliminating, unfunded liabilities and improving funded ratios. He notes that while this may be unpalatable for officeholders because it does not yield an immediate political payoff, we can no longer afford to “kick-the-can” to the next generation.

“Simply stated, we need to avoid pseudo-reforms in their entirety in favor of the five recommended actions designed to achieve comprehensive and sustainable reform,” writes Dreyfuss. These are:

1. Establish defined-contribution plans.
2. Prohibit state issuance of pension obligation bonds, post-employment benefit bonds, and other such forms of financing.
3. Adopt pension funding reforms that advance the goals of accounting standards GASB Statements 67 and 68, so that benefits are funded as they are earned.
4. Modify unearned pension benefits.
5. Improve the funded status of plans without increasing taxes.

The Manhattan Institute report notes that benefits should be funded as they are earned despite such a structure carrying a low political rate of return. Unhelpful plan-design changes are, regrettably, often accompanied by great fanfare. By contrast, the more responsible course risks jeopardizing the funding of a favorite current program or making an unpopular tax increase inescapable. The people who will bear the brunt of such deferred maintenance are often too young to object at the ballot box.

Unfunded liabilities totaling *almost \$1.4 trillion* and stemming from obligations to pay for public employees’ pensions, retiree medical insurance, and other retirement benefits are a looming crisis for states and local governments. This new report finds that reform efforts ostensibly being made to solve this fiscal emergency have fallen short.

**Full report available here: [http://www.manhattan-institute.org/html/cr\\_74.htm](http://www.manhattan-institute.org/html/cr_74.htm)**

**REPORT GRAPHS/TABLES OF NOTE:**

- [Pseudo-Reforms: Five Pension “Non-reform” Reforms](#)
- [Fortune 100 Companies – Trends in Retirement Plans](#)
- [A Five-Point Plan for Comprehensive Reform](#)

**Richard C. Dreyfuss** is a senior fellow at the Manhattan Institute's Center for State and Local Leadership. For 21 years he worked for The Hershey Company (formerly Hershey Foods Corporation), and held numerous positions there, including director of compensation and benefits, prior to his retirement in 2002. Dreyfuss is a pension and health care expert who has written and testified before Congress and the Pennsylvania General Assembly on strategies to effectively manage long-term employee benefit costs. His op-eds have appeared in major newspapers including The Philadelphia Inquirer and The Pittsburgh Post-Gazette and he has been quoted in The Wall Street Journal and The New York Times. Rick holds a B.A. in mathematics and economics from Connecticut College and an M.A. in actuarial science from Northeastern University.

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