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Relying on Pension Funds May Be Hazardous to Your Retirement

It's no secret that many government pension funds are underfunded by a massive \$5 - \$8 trillion dollars. But pension plan problems don't stop there.

Many multiemployer pension funds, which are governed by collective bargaining agreements between a group of employers and a union, are also underfunded. These pension funds cover some 10 million workers and retirees, including bricklayers, musicians, miners, steelworkers, roofers and truck drivers. According to the Wall Street Journal, the most troubled plans are an estimated \$100 billion short of what they need to pay out promised benefits. Unlike state-funded pension plans, these plans don't have the option raising taxes to make up funding. They are backed by the Pension Benefit Guaranty Corp., the government's pension insurer, which is expected to run out of money by 2025.

There's also question as to whether the states can raise taxes sufficiently to fund their underfunded pension plans given the extent of underfunding. The amount of money that each individual state resident - every man, woman, and child - would have to pay today to put their state's public employee pension fund back on track to pay promised benefits ranges from a high more than \$16,000 in New Jersey to \$253 in Tennessee, according to the following chart by Bloomberg. Only South Dakota and Wisconsin have plans in the black.

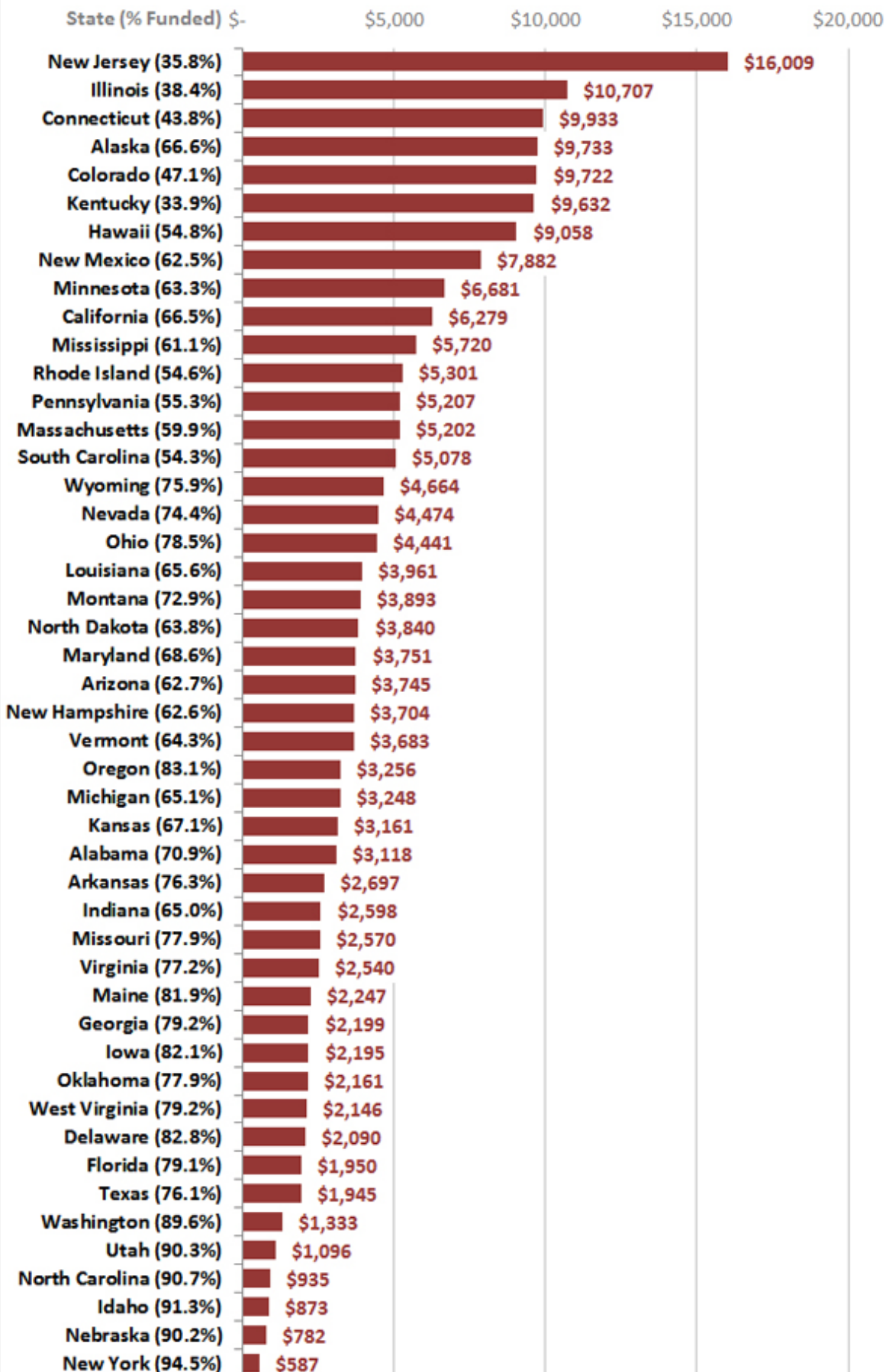
While corporate pension plans tend to look good compared to the state plans, there are problems there as well. Some of America's biggest employers have significantly underfunded pension plans according to Bloomberg.

There is a point at which there simply isn't enough money to fix the problems of decades of mismanagement. It is more important than ever for individuals counting on pensions for their retirements to put backup plans in place.

For many public sector workers, including 1.2 million teachers, that backup plan will NOT include Social Security. In the original Social Security Act in 1935, state workers were excluded from Social Security coverage because of concerns as to whether the federal government could tax state and local governments. When the opportunity to extend coverage to public sector workers arose in the 1950s, most states chose to do so. Fifteen states did not - Alaska, California, Colorado, Connecticut, Georgia, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island, and Texas, and the District of Columbia. Additional states have varied coverage where some employee classes remain left out.

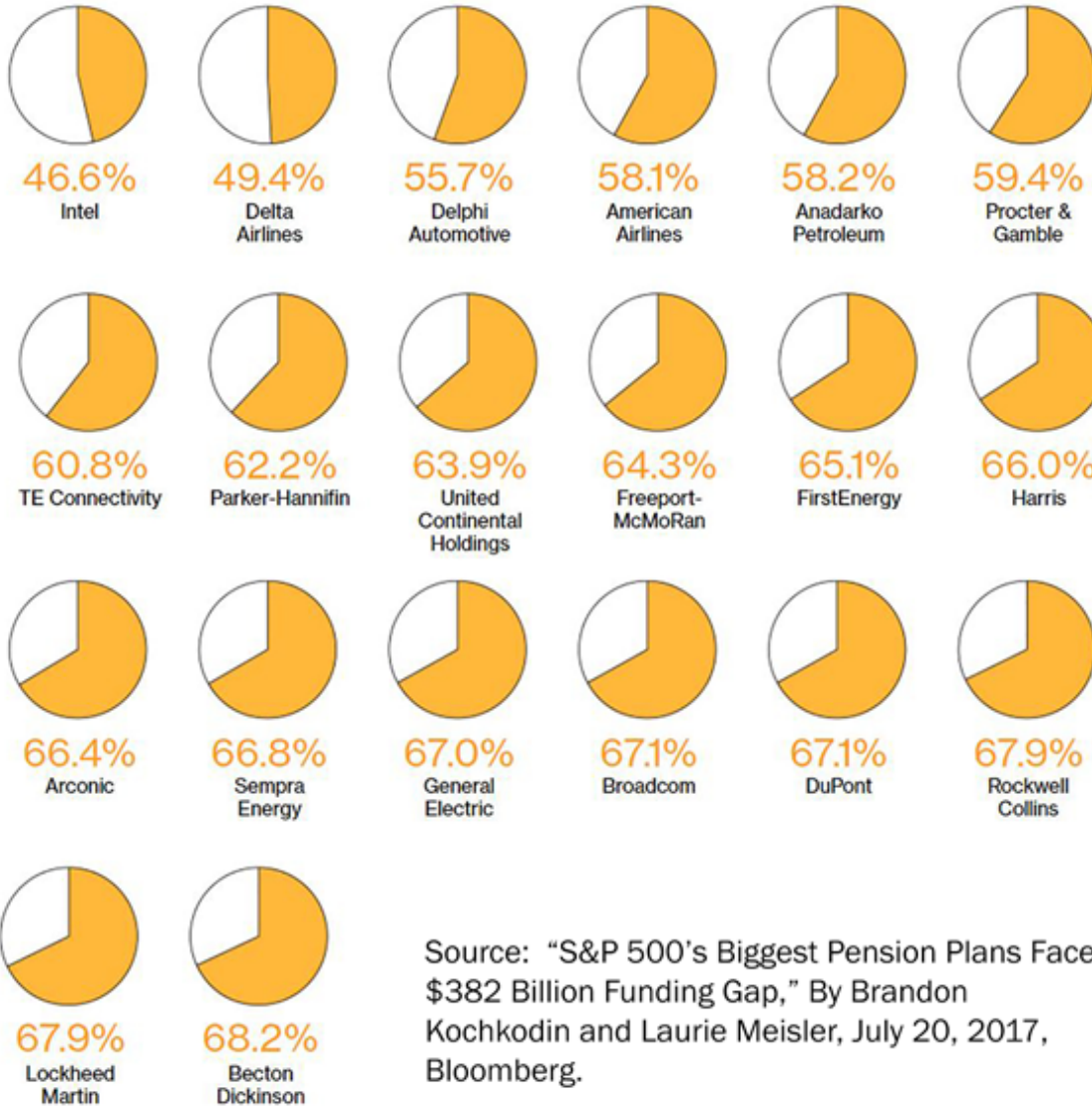
If you are covered by a pension plan, you need to know how well the plan is funded. If the plan is underfunded and/or in a financially troubled industry or state, it's time to sit down with a financial adviser and plan how to protect your ability to retire comfortably. Give us a call today and let's take a hard look at where you want to be and what is needed to get there.

2018 Cost of Unfunded State Government Employee Pension Liabilities Per State Resident



Companies with the Lowest Ratios of Pension Assets to Pension Obligations

□ Obligation ■ Assets



Source: "S&P 500's Biggest Pension Plans Face \$382 Billion Funding Gap," By Brandon Kochkodin and Laurie Meisler, July 20, 2017, Bloomberg.

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