

To some government observers, it may be tempting to view a public pension only as an employee benefit that plan sponsors are legally required to fund. But the ultimate value of the VCERA pension is far greater than this. Beyond the long-term financial stability offered to retirees, significant advantages are also realized by public employers, the local community and the local economy. Continue reading to learn what makes VCERA's retirement benefits so valuable.

### Recruitment and Retention

*"Pensions turn jobs into careers."*

Research shows that the promise of a future pension attracts employees who are willing to exchange, in some locales, lower employment income in the public sector for a deferred benefit in retirement.<sup>1</sup> In fact, the majority of government workers viewed their retirement benefits as "extremely important" when deciding to enter public service.<sup>2</sup> This means that a pension is an effective recruitment tool that helps public employers meet their hiring goals.

Pensions, as a form of deferred compensation, also encourage younger public servants to think long term about their careers. With other forms of retirement income uncertain for this population,<sup>3</sup> the prospect of earning a lifetime retirement benefit is motivating. To increase the value of that benefit, the person must work longer. This simple logic incentivizes people to continue

working for their public employer. In 2019, 84% of surveyed Millennial employees said a pension benefit was the reason they stayed with their state or local government jobs.<sup>4</sup>

Additionally, because pension benefits generally increase as base salaries increase, public servants are further incentivized to develop professionally and to seek promotions, which allows the most qualified employees to reach positions of authority.

In short, pensions function as an effective recruitment and retention tool. Future pension recipients look to a long public service career to attain a secure retirement.

### Higher Quality Service

*"Pensions help improve public services."*

Pensions encourage loyal public service, as the prospect of earning a higher retirement benefit motivates employees to work longer, learn more and advance their careers. Longer-tenured employees become competent public servants. Their knowledge and skills, developed by years of experience, enable them to serve the community well during their most productive years of life. In this indirect way, pensions improve the quality of services provided by government.

Additionally, the "age factor cap" associated with pensions encourages law enforcement and firefighters to exit the

workforce before older age might impact their ability to keep the public safe. In VCERA, Safety members reach their highest age factor at 55 or 57 years old, after which there is no further financial benefit to being older, although other factors could increase their benefit. This plan feature encourages older law enforcement and firefighting employees to retire, thus maintaining the high quality of public safety services.

### Economic Stimulus

*"Pensions are good for the economy."*

In 2016, California's public pension spending had a \$35.0 billion *direct* impact and a \$73.7 billion *total* impact on the state economy, as well as a \$7.7 billion impact on state and local tax revenues.<sup>5</sup>

The lifetime benefits paid to VCERA retirees also provide a steady and significant stimulus to state and local economies. Although the precise impact is unknown, the financial effect is undoubtedly significant. Consider the following:

- VCERA paid \$293 million in retirement benefits to 7,280 retirees in fiscal year 2018-19.
- Approximately 81% of VCERA retirees live in California.
- Approximately 63% of VCERA retirees live in Ventura County.

These statistics represent thousands of VCERA retirees and beneficiaries who regularly buy local goods and services with their pension dollars. These purchases support local businesses, which hire and employ other local residents, who earn money and make local purchases of their own. The economic effect of each pension dollar ripples throughout the Ventura County economy and beyond.

Besides the rippling effect of their pension spending, VCERA retirees pay state and local sales tax, and most pay federal and state income tax. These revenues help fund essential public services, which help build stronger communities. And, research shows that defined-benefit pensions have been instrumental at keeping older Americans out of poverty, thereby reducing their need for public assistance—a nationwide savings of \$7.3 billion in 2006 alone.<sup>6</sup>

### So What?

Pensions serve multiple important functions for public employees as well as public employers, the community and the economy. Every retirement dollar your organization contributes to VCERA not only adds to the retirement security of your employees. It also indirectly benefits your city, county and state.



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<sup>1</sup> Ippolito, R.A. (1997). *Pension Plans and Employee Performance: Evidence, Analysis, and Policy*. Chicago: The University of Chicago Press.

<sup>2</sup> Oakley, D. and Kenneally, K. (2019). *Retirement Insecurity 2019: Americans' Views on the Retirement Crisis*. National Institute on Retirement Security. See [www.nirsonline.org](http://www.nirsonline.org).

<sup>3</sup> Brown, Jennifer. (2018). *Millennials and Retirement: Already Falling Short*. National Institute on Retirement Security. See [www.nirsonline.org](http://www.nirsonline.org).

<sup>4</sup> National Institute on Retirement Security. *85% of Millennials Working in State & Local Government Plan to Stick with Employer*. Press release: February 5, 2020. See [www.nirsonline.org](http://www.nirsonline.org).

<sup>5</sup> Boivie, Ilana. (2018). *Pensionomics 2018: Measuring the Economic Impact of DB Pension Expenditures*, Tables 11 and 12. National Institute on Retirement Security. See [www.nirsonline.org](http://www.nirsonline.org).

<sup>6</sup> National Institute on Retirement Security. *Frequently Asked Questions about Pensions*. See [www.nirsonline.org](http://www.nirsonline.org).

*If there is any difference between this publication and the County Employees Retirement Law of 1937 (CERL), the law shall prevail.*

WHAT MAKES  
**VCERA**  
BENEFITS  
*Valuable*  
to  
**PUBLIC EMPLOYERS ?**

A hand is shown dropping a coin into a white piggy bank. The piggy bank is on a patch of grass. The background is a soft-focus blue sky with clouds.

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