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Cogent Report: Most Public Pension Plans Are in Crisis

By [NU ONLINE NEWS SERVICE](#)

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Only one in five public pension plans can meet their financial obligations to plan participants, according to a new study.

Cogent Research LLC, Cambridge, Mass., published this finding in a summary of results from a new report that examines the attitudes and behaviors of investors, including asset manager preferences. The report is based on a survey of a nationally representative sample of 590 institutions holding a minimum of \$20 million in assets.

The funding problem, the report notes, is most acute among the largest pensions, including union and public sector plans. Only 10% and 12% of these plans, respectively, estimate their current funding status to be 95% or higher.

A majority (54%) of public pensions report their current funding status to be below 80%, including 16% that are below 60%, says Cogent.

“These are very sobering numbers,” says the report author and Cogent Research Principal Christy White. “Half of all public pensions are substantially underfunded, which means these institutions face several extremely difficult choices: seek additional funding from the general treasury (i.e. tax payers), restructure participation rules or payments to participants, or go broke.”

By contrast, says Cogent, corporate pensions are in better shape. None report a funding status below 60%. One in four (27%) are funded at 95% or more; and over half (53%) are funded at between 80% and 94%.

“These institutions bit the bullet, and have done much of the hard work necessary to avoid underfunded status, no doubt at the behest of shareholders and investors,” says White.

—*Warren S. Hersch*