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FAST Facts

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Sources of Funding of Public Pension Plans

WASHINGTON— What are the major sources of funding of public-sector pension plans in the United States?

Unlike private-sector defined benefit plans, public-sector pension plans are not funded *entirely* by employers. They are financed by workers *as well as* employers, according a study by the nonpartisan Employee Benefit Research Institute (EBRI). Public pension revenue relies on three sources: earnings from investments, government (employer) contributions, and worker contributions. Public pension plans depend largely on investment earnings, because they are generally financed on a "funded" basis rather than a pay-as-you-go basis.

Among the sources of income, investment earnings typically have accounted for the largest portion of plan funding. From 1997 to 2007, except for fiscal years 2001–2003, investment earnings made up 71–82 percent of public pension funding, employer contributions accounted for 13–20 percent of the funding, and worker contributions for 6–9 percent.

Public Pension Benefit Funding Sources, 1997–2007

	Investment Earnings	Worker Contributions	Government Contributions
2007	81.6%	5.9%	12.6%
2006	75.3	8.3	16.4
2005	74.2	8.7	17.1
2004	77.5	7.6	15.0
2003	49.2	19.5	31.3
2002*	00.0	41.5	58.5
2001	47.0	21.5	31.5
2000	78.1	8.4	13.5
1999	75.2	9.0	15.9
1998	75.6	8.4	16.0
1997	71.0	9.2	19.8

Source: Census Bureau.
* In FY 2002, pension benefit funding relied only on government and worker contributions because investment earnings were negative.

The April 2009 *EBRI Notes* contains more information about public pension plan asset allocations and sources of funding. It is available at www.ebri.org