NPPC NATIONAL PUBLIC PENSION COALITION

Pew Center for the States has had a presence in a number of states, including Kentucky, Pennsylvania, Montana, Nevada, Arizona, Oklahoma, and Colorado. Despite their claims to be an impartial think tank advocating for fair and transparent policies, Pew's involvement in the pension fight is anything but fair and transparent. Pew may come to your state with a glowing non-partisan reputation, but you will soon learn that it does not deserve those accolades. Their sales pitch on this issue is nothing more than a disingenuous cover for their efforts to dismantle public pension systems across the country, and retire millions of middle class families into poverty.

Should Pew start engaging with lawmakers in your state about pension policy, these are the things to know:

Pew Center on the States is working with the Arnold Foundation to advocate for cash balance plans in the states. Don't be fooled by their non-partisan claims, they have formed unholy alliances with right-wing organizations, and their plans to cripple public pensions are particularly dangerous. The Arnold Foundation, founded by a former Enron executive and led by Dick Armey's former Chief of Staff, is known to be hostile towards unions and public sector defined benefit pensions.

> "The Arnold Foundation, which was founded by John Arnold, a former Enron executive, has partnered with Pew Center on the States to advocate for cash balance plans for state government employees." – MarketWatch/Wall Street Journal, 5/3/13

The cash balance plan that Pew and Arnold are advocating for is based on ideology, and not specific state needs or data. When Pew announced it was embarking on this pension project, they stated that "comprehensive" changes to retirement benefits were necessary and advisable. The project announcement stated that Pew intended to address "ballooning costs of pensions and retiree health care" by creating "fiscally sustainable retirement systems," though their plans do little to address these issues.

The Arnold Foundation has expressed a desire to fix "labor market distortions," whether or not this has been identified as a problem in the state. Instead of analyzing each state on a case by case basis, Pew and Arnold come to each state with a pre-determined set of policy proposals that fail to address states' underfunding and put retirement security at risk.

Pew's cash balance plan is not based on a reputable actuarial analysis. Pew has hired October Three to do its actuarial analysis. October Three are self-described "retirement architects" who market a "patented" cash balance pension system. The firm has very limited public sector clientele and, as evidenced by their overheated marketing of cash balance systems, are hardly objective. Selecting this firm with a clear self-interest in promoting a cash balance plan appears inconsistent with Pew's stated intention of providing unbiased technical assistance to states.

Pay More to Get Less. The actuarial analysis for SB2, Kentucky's pension slashing legislation that came directly from a Pew recommendation, found that the cash balance plan would cost Kentucky taxpayers an addition $55 million over the next 20 years. An independent actuary noted that the plan is significantly underpriced, and the plan design just doesn't add up with the cost they are using.

At the same time, the cash balance plan would reduce benefits to employees—including a total elimination of the disability and survivor benefits that protect workers and their families from workplace injuries or death.

Pew's plan does not address existing unfunded liabilities, and creates new legacy costs. The cash balance plan does not offer any suggestions on paying for existing unfunded liabilities that exist in state pension plans because of systematic underfunding by politicians. The proposed plan also creates new legacy costs, since a cash balance plan does not require that the system is fully funded. There is nothing to ensure that politicians don't again kick the can down the road and ignore pension obligations.

Pew is working behind closed doors to overhaul the public pension systems. In Kentucky, representatives from Pew were given unlimited speaking time at legislative hearings and portrayed themselves as independent witnesses without a set agenda. Meanwhile, independent actuaries and public pension advocates were given almost no opportunity to address legislators. These secret dealings were criticized by both sides of the aisle. Pew advocates for transparent policymaking, yet hides behind closed doors when they are the ones creating the policy.

Playing Politics with Pensions. This debate impacts the teachers, cops, firefighters and others that serve as a cornerstone in our communities—which is why it is so important that this debate includes the human consequences of any action and addresses the true costs and benefits. Sadly, political rhetoric has robbed the opportunity to have a productive conversation about public pensions moving forward.

It is critical that non-partisan organizations like Pew present the scenario in its fullest terms, which includes retiring a class of workers into poverty, reneging on a contract, and adding costs to taxpayers.

The Alternative: Retirement Security for All. As you know, across the country, there is a mounting retirement crisis—an issue that could cripple our economies as the population ages.
Ultimately, public sector defined benefit pensions serve as a model for broader retirement security. In polling conducted by the National Institute on Retirement Security, 80% believe that all workers should have traditional pensions. Instead of encouraging solutions that allow all citizens to retire with dignity and economic security, Pew is working to undermine what little retirement security remains.

The pension overhaul that Pew is promoting is bad policy for teachers, nurses, and other public employees—and bad policy for all taxpayers.