Protect Ohio Pensions
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A political-action association for retirees and contributing members of the above listed pension systems.

July, 6, 2108

The Honorable Devin Nunes
Longworth House Office Building STE 1013
Washington, DC 20515

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Dear Representative Nunes,

On behalf of the members and retirees of Protect Ohio Pensions, I am writing to express our opposition to the proposed Public Employee Pension Transparency Act (PEPTA).

Please allow me the privilege of explaining why we oppose your proposal.

Definitions:

a. Defined-benefit (DB) pension plan: In a defined-benefit pension plan, also referred to as a traditional pension plan, all members pool their retirement contributions, which are in-turn invested by experts hired by a pension system with the aid of actuaries and multiple industry experts. Because DB plans are lifetime investors and the risk and rewards are shared by all members, pension amounts can reasonably be guaranteed and the probability of side benefits such as health care and cost of living allowances are often available.
b. Defined-Contribution (DC) pension plan: In a defined-contribution pension plan, members put their contributions in a personal retirement account and become their own investment expert with the aid of a financial advisor. Pension amounts are determined on the skill of the advisor and how well the individual's personal fund is doing at the time of their retirement. In addition, there are no side benefits like health care and cost of living allowances.

Since the mid-nineties there has been an all-out attack on traditional public pensions. There are factions in the financial, investment, corporate, and political hierarchies that are determined to eliminate defined-benefit pensions. They proffer their position under the guise of protecting the public's liability (in reality, there is no legal liability, at least in Ohio) for underfunded pension plans, while ignoring the historical evidence of financial devastation to retirees and their public employers in states where conversion has occurred.

In a May 8, 2011 Columbus [Ohio] Dispatch article, Matt A Mayer, president of the Buckeye Institute extolled the virtues of converting Ohio's public pensions into a defined contribution model by insinuating that Ohio pension systems were broke and in an economic crisis. Mr. Mayer's article fell in line with the nationwide effort to eliminate all defined-benefit pension plans, an effort that was first publicly acknowledged in the May 14, 2001 issue of The Nation newsletter. In that article the contributing editor, Robert Dreyfuss, wrote the following after listening to a speech by Grover Norquist, founder and president of Americans for Tax Reform: "Well," he says, "there's the matter of all those state and local pension plans..." State by state, he's planning to launch a campaign to dismantle and privatize state pension plans and their trillions of dollars of public funds held as investments for retirees. "...Just 115 people control $1 trillion in these funds. We want to take that power and destroy it."

In a nutshell, there is the battle. These folks want to destroy all DB pension plans, including those in Ohio which have proven to be economical for the taxpayers, beneficial to our local economies and rewarding to our retirees.

Why would anyone want to do that? Could it be that some want to profit from the investment fees generated from administering hundreds of thousands of individual plans, and others want to eliminate the responsibility of answering to large investment holders (pension systems)?

One recent building block for those intent on eliminating defined-benefit pensions, was to talk members of the Government Accounting Standards Board (GASB) into changing the way pension systems have historically reported their financial standings and replace it with a set of standards that would cast the unfunded liability in a negative light. In addition, the new standards require public employers, who have no liability in Ohio once their contributions have been made to the pension system, to show these same unfunded liabilities as negative balances on their books.

If enacted, The Public Employee Pension Transparency Act (PEPTA) would be a second DB negative proposal. PEPTA's stated purpose is to "protect the public" by providing citizens and government officials with a questionably calculated estimate of how indebted taxpayers maybe to state pensions. The proposal states that this bill will accomplish its goal through transparency by requiring state pension plans to use U.S. Treasury rates to determine liability, to disclose the results on a State Treasurer's website and to declare that the Federal Government has no liability for bailing out state pensions.

What PEPTA would really accomplish is to portray DB plans in the most negative light possible. Coupled with the newly implemented GASB standards the resulting information would give the proponents of the "eliminate defined-benefit pensions movement" strong, though improperly calculated or stated, financial data to push their agenda through a state legislature.

In Ohio our pension funds are operated in a fully transparent environment. We have member elected and statutorily- appointed trustees bound by fiduciary standards whose decisions are made in open public meetings. The Ohio Retirement Study Council, a General Assembly oversight body, also monitors the financial condition and auditory assumptions of the Ohio Retirement Systems and reviews their pension-related legislation. A final step in transparency occurs with the publication of Comprehensive Annual Financial Reports (varies slightly by system). These reports contain the obligations and funding status and are publicly distributed. As you can see, Ohio's pensions are already funded, operated and monitored in a fully transparent manner.

Ask yourself, "Who prompted me to introduce this legislation? Did they really feel that the Federal government needed to be concerned about state pension transparency, or did they have some other agenda?"

Let's consider the old adage, "If it looks like a duck, swims like a duck, and quacks like a duck, then it probably is a duck." The Public Employee Pension Transparency Act has no apparent federal standing (they have no legal liability for state pensions), it is based on a questionable premise (website transparency), it forces the lowest (contrary to historical results) future financial evaluation, and it promotes a stronger picture for the elimination of public defined-benefit pension plans. So, you tell me why it is being introduced. Who are the benefactors? Corporate interest, individual stock brokers and their fees, or retired public employees and taxpayers?

When we put this piece of the puzzle together with Newspaper articles with faulty conclusions based on well-funded public pensions being coupled with poorly-funded pensions in other states, Mr. Norquist and company's pledge to destroy DB plans, and the sudden changes to the GASB reporting requirement it leads us to the conclusion that greed and power are making inroads in establishing an environment in which they can convince legislators to eliminate the defined-benefit pensions of Ohio's public employees.

On behalf of the 1.6 million Ohio public workers and retirees who have chosen the defined-benefit pension, and the men and women of Protect Ohio Pensions, I am asking you to withdraw your proposed PEPTA legislation.

Sincerely,

William I Winegarner

William I. Winegarner, Executive Director