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# *The all-out attack on defined-benefit public pension programs*

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[Editor's Note: Under a defined benefit pension plan, all members place their retirement contributions into one fund. This fund is then invested by experts, hired by the pension systems, who have the assistance of actuaries and multiple industry experts. Pre-determined pension amounts are then established by a formula based on averaging investment returns over a 30 year or greater period.

Under the alternate plan, called defined-contribution, individuals make their own investment decisions, with the aid of an outside financial advisor. One's pension amount is based on how well the individual's personal fund is doing at the time of their retirement.]

Since the mid-nineties, we have been explaining to members that there are factions in the financial, investment, corporate, and political hierarchies that are determined to eliminate defined-benefit pension programs; no matter whom they hurt, or in the face of the devastating-historical evidence of converting to a defined-contribution plan.

On May 8, 2011, in a Columbus Dispatch article, Matt A Mayer, president of the Buckeye Institute extolled the virtues of converting Ohio's public pensions to 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 which the contributing editor, Robert Dreyfuss, wrote the following after listening to a speech by Grover Norquist, founder and president of Americans for Tax Reform:

There's the matter of all those state and local pension plans. State by state, he [Norquist] is 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," he [Norquist] says. "We want to take that power and destroy it."

In a nutshell there is the battle. These folks want to destroy a pension system that has proven to be economical for the taxpayers, beneficial to the economy, and rewarding for the workers.

Why would anyone want to destroy a plan that works? The answers are simple: greed and power.

Some of these folks want to profit from the investment fees generated from administering individual plans, and others want to gain the freedom from having their corporations account to large stockholders (pension systems.)

For those of us who want to protect our pensions and the value they bring to us, as well as, the economic base they provide to our local communities, we have to be willing to learn about the enemy and how to counter their attacks.

One recent building block for the proponents of defined contribution plans was to coerce the independent Government Accounting Standards Board (GASB) to change the way pension systems have historically reported their financial standings, and replace it with a new set of standards that will cast their unfunded liability in a negative light.

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## *The all-out attack* (Continued)

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**I**n addition, these new standards also require public employers, who have no liability once their contributions have been made, to show these same unfunded liabilities as negative balances on their books.

[Editor's note: For more information on the GASB standards, refer to the GASB tab on the OPERS website [www.opers.org](http://www.opers.org). ]

**O**nce these accounting standards are in place, we can expect a renewed onslaught of negative press. Articles will appear stating how public pensions are bankrupting our cities, while providing luxurious pensions to public workers.

**T**hese future newspaper articles will be followed up with a new round of legislation to change Ohio's public pension plans to the defined contribution model.

**P**rotect Ohio Pensions, Inc. will keep our members informed as each of these bills appears, so we can all be prepared to act.

At the same time, we will be explaining to members of the Ohio General Assembly the reasons behind the GASB changes, and the lack of liability a public employer has for pensions beyond their initial contributions.

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By Bill Winegarner

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