



# National Conference on Public Employee Retirement Systems

*The Voice for Public Pensions*

Dear Colleagues:

The theme of the 2011 Annual Conference & Exhibition of the National Conference on Public Employee Retirement Systems is *The Path to Recovery*. On one level, the theme is about whether the American economy is on the rebound from the Great Recession and if so what can our pension plans expect in terms of performance. This is an important topic and over the next several days we will explore it in great detail. A number of sessions will be devoted to analyzing current economic data, interpreting its meaning, and predicting where our economy is headed.

However, I'd like to suggest another meaning of the conference theme. And it has to do with whether there is a path to recovering the lost pensions in the private sector. As recently as 30 years ago, pensions were common for middleclass working Americans in the private sector. With Social Security and personal savings, pensions helped millions of Americans achieve retirement security.

Unfortunately, with the enactment of 401(k)s and the ever increasing burdens and costs imposed by ERISA, private employers by the 1980s began abandoned pensions for their employees. As a result, older workers who are nearing or at retirement age now cannot afford to retire or face the scary prospects of retirement insecurity.

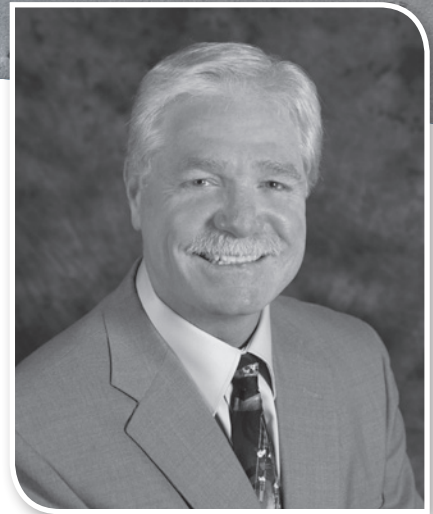
"Retirement security for all Americans" is a simple phrase, but one that carries deep meaning and has broad appeal. For those of us in the public sector, we know that unless there is a resurgence of defined benefit pensions in the private sector, the pensions we enjoy now will be at risk. For our colleagues in the private sector, if they have any sort of employer based retirement option, it is likely that it is an individual account model rather than a traditional pension. They face greater instability as they are forced to rely increasingly on individual savings.

But what is a viable path to recovering the lost pensions in the private sector? Trying to get small to medium size employers—the engines of job creation in the United State—to establish pensions for their employees is a wasted effort. Under current law and regulations, private sector pensions are just too administratively burdensome and costly for most businesses. Yet we know from polling data workers in the private sector want pensions and are not satisfied with the status quo.

We think the answer to bridging this gap that exists between the retirement benefits private employers provide and what their employees want is to build upon the success of public pensions and create a new publicly sponsored multiemployer pension plan that would utilize the efficiencies and expertise of public pensions.

This new public/private pension system would have the following characteristics:

- The plan would be administered by a board where the members would be from the public employee pension system and from the private sector, including representatives elected by employees.
- The fund would be managed by professional money managers accountable to the administrative board.



- Data on the performance of the plan would be publically available, and members could access their own account information at any time. Every year, the plan would send every account holder a detailed financial report along with an explanation of benefits.
- Because the plan is tied to the public employee pension system, it is able to take advantage of experienced advisers, and it can invest in assets like private equity, venture capital, and IPOs.
- Though officials from the public employee pension system would play a role in administering the plan, the money in the private employees' fund would be kept separate from the public employee pension fund.
- Benefits from the plan would be entirely "pre-funded," meaning that money employers/employees put in does not go toward paying the benefits of current retirees. Rather the retirement benefit each employee is paid depends on how much the employee and the employer put in and the return on the investment.
- The employees' accounts in these plans would be entirely portable, meaning that if an employee moves between employers that offer it, s/he simply takes the account with her/him. If an employee moves to an employer that does not offer it, s/he can contribute on her/his own, stop contributing, or take the money out and roll it into an individual account like a 401(k).
- When the employee retires, her/his account is converted into an annuity that pays a monthly benefit for the rest of their life. The employees may elect to have survivor benefits. The amount of the monthly benefit may increase or decrease slightly depending upon the performance of the pension fund.

Obviously, there are a number of legal and political obstacles that must be overcome before this private/public plan can become a reality. That said it does have a number of advantages, including our belief that it is a viable path to retirement security for all Americans.

Public pensions are clearly at a crossroads. We must face the challenges not only determined to survive, but also resolved to help all Americans attain retirement security. We know that the retirement security for all campaign will be a long and hard fought. However, with your assistance and the support of the American public, this private/public plan can become a reality.

In order to make that happen, we must be armed with knowledge and research that makes our point clearly and powerfully to our members, friends, and neighbors. We must mobilize an army of public pension advocates who will march on city halls, state capitols, and even Congress to educate policymakers that public plans should be emulated as a model of affordable retirement security to all Americans, rather than being unfairly attacked.

We recognize that tough times are ahead. But NCPERS will be leading the charge and working side-by-side with each of you in your local jurisdiction and state. We are committed to our industry's defense and helping to expanding retirement security to all Americans.

I want to thank and honor you for your commitment to America's public service retirees. Your job is an important one, and by joining us here for education and training, you have shown that you take it seriously.



**Pat McElligott**  
NCPERS President