Public Pension Challenges & Strategies

NCPERS Public Safety Conference
October 27-30, 2013
Rancho Mirage, CA
Agenda

• NPPC: Who We Are and What We Do
• Assessing Upcoming Pension Threats
• Key 2013 Legislation
• Elements of a Successful Campaign
• Key Take Aways
• Q&A
National Public Pension Coalition: Who We Are & What We Do
NPPC Objective & Scope

• Defend defined benefit plans as the foundation of a secure retirement.
  – Track early warning signs
  – Support strategic assessments & coalition development
  – Support defense initiatives, member education & mobilization
  – Develop & disseminate national messaging
  – Synthesize & distribute research
Upcoming Pension Battles
Upcoming 2014 Battles

- Pennsylvania
- Illinois
- Nevada
- Mississippi
- Oklahoma
- Arizona
- Louisiana

- Florida
- Kansas
- Missouri
- Cincinnati (2013)
- Tucson
- Tulsa
- Memphis
Challenge: Proposed Legislation

Red: Cuts to benefits
Yellow: DC plan
Green: Cash balance
## 2013 Proposed Legislation

<table>
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<tr>
<th>State</th>
<th>Cash Balance</th>
<th>DC</th>
<th>Hybrid</th>
<th>Benefit Reduction</th>
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Red: Cuts to benefits
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Purple: Hybrid plan
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Challenge: Pew Center on the States

- Pew’s aim is to inform policy decisions in states across the country on how to address pension fixes.
- Funded by John & Laura Arnold Foundation
- Arnold seeks to end DB pensions in the public sector.
- Currently engaged in Kentucky, Arizona, Montana, and Nevada—and will continue on.
From Pew’s Website:

“Public pension reform is one of the most daunting financial problems facing states and municipalities today. If changes are not made to these distressed pension funds, every retiree, worker and taxpayer will be burdened with rising costs and unpaid promises for years to come.”

Early organizing to combat Pew is essential!
Key 2013 Legislation:
Tennessee, Montana, Kentucky
Tennessee: Hybrid Plan

• SB1005 signed into law on April 24, 2013.
• Created new “hybrid” plan for state employees, teachers, and higher education.
• Affects those hired after June 30, 2014.
• “Hybrid” has lower-level defined benefit, coupled with a defined contribution savings component.
## Tennessee’s Plans

<table>
<thead>
<tr>
<th>New Hybrid Plan</th>
<th>Old DB Plan</th>
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<tbody>
<tr>
<td><strong>Employee Contribution</strong></td>
<td><strong>5% to DB</strong></td>
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<tr>
<td>2% to DC, with opt out provision</td>
<td><strong>5% for teachers and local government; 0% for state government</strong></td>
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<tr>
<td><strong>Employer Contribution</strong></td>
<td><strong>4% to DB</strong></td>
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<tr>
<td>4% to DC</td>
<td><strong>14.91% in 2012</strong></td>
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<td><strong>DB Multiplier</strong></td>
<td><strong>1%</strong></td>
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<tr>
<td>1% capped at $80,000/year</td>
<td><strong>1.575%</strong></td>
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<tr>
<td><strong>Retirement Eligibility</strong></td>
<td><strong>Age 65 with 5 years of service, or rule of 90</strong></td>
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<tr>
<td><strong>Vesting</strong></td>
<td><strong>5 years for DB</strong></td>
</tr>
<tr>
<td>Immediate for DC contributions</td>
<td><strong>5 years</strong></td>
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Montana: Two-Tier & Reduced Benefit

1. Created Two Tier:
   - Higher employee contributions
   - Increased final average compensation

2. Reduced COLA:
   - May be decreased to 0.5% until funding ratio reaches 90%
   - If the funded ratio is over 90%, COLA may increase to 1.5%

3. Higher eligibility standard:
   - At least 5 full years of service and age of 60

<table>
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<tr>
<th>Tier 1</th>
<th>New Tier 2</th>
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<tr>
<td>Contribution Rate</td>
<td>7.15%, and supplemental contribution of 1%</td>
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<tr>
<td></td>
<td>8.15%, and supplemental 1% that grows to 2%</td>
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<tr>
<td>Final Comp</td>
<td>3 highest consecutive years</td>
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<td>5 highest consecutive years</td>
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Montana’s Ongoing Threat

1. **House bill introduced:**
   - Calling for a referendum on the 2014 ballot.
   - Would require new public employees to become members of a defined contribution plan.

2. **HB 454, signed by Governor:**
   - Provides state employee funding for the public employees' retirement system DB plan.
   - Increases employee and employer contributions by 1% each.

3. **HB 97, proposed:**
   - Attempt to implement a pension cap at 110% of salary.
## Kentucky: New Hybrid Cash Balance

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<tbody>
<tr>
<td><strong>Employee Contribution</strong></td>
<td>5% for non-hazardous. 8% for hazardous employees.</td>
</tr>
<tr>
<td><strong>Employer Contribution</strong></td>
<td>4% for non-hazardous. 7.5% for hazardous employees.</td>
</tr>
<tr>
<td><strong>Plan Design</strong></td>
<td>Pay credits as above, plus 4% annual interest credit, with additional credits of 75% of the 5 year average return over 4%.</td>
</tr>
</tbody>
</table>

New hybrid plan is for state and county employees hired after July 1, 2013.
Elements of a Successful Campaign
A Successful Campaign Will:

- Engage membership early
- Keep message broad & simple
- Engage local leadership
- Encourage members to call legislators
- Find 3rd party validators
- Town halls to encourage engagement
Communications Successes:

- White paper release
- Event at the Capitol
- Op-eds from allies
- Letters to the editor
- Regular communication with members
- Communications Successes:
Communications Successes:

- Press calls
- Weekly press releases
- Weekly real person stories
- In-person legislative briefings
- Editorial board meetings
- Facebook page and website
Pension Talking Points

• Show that the average pension is modest
• Workers put their life savings into their pension
• Many public workers do not receive Social Security
• Show negative impact on workers
• Talk about public safety VERSUS politicians
• Expose hypocrisy of politicians who call on public servants to sacrifice but do not sacrifice themselves
• No one is more committed to the solvency of pension funds than the workers who depend upon them
• Public DB plans are a model for broader retirement security

Keep the message simple!
Kentucky Lessons Learned

- Discredit Pew
- Engage current workers because proposals *will* impact them
- Consider and create alternative proposals
- Match opponents on paid media/radio
- Engage early
Key Take Aways
Take Away 1: Challenges Are Great

• Pew is a dangerous enemy
• Cash balance and “hybrids” are emerging and more difficult to fight than defined contribution
• Global messaging is needed to focus the middle class to what is really at stake
• Defense is only half the battle: Public DB plans must be seen as a model for broader retirement security
Take Away 2: Early Organization

• Early and aggressive action is key.

• Engage allies:
  – Other public workers, retiree groups, advocates, clergy, EARN networks

• Dedicated staffing is essential—with specific plans for:
  – Mobilization, press, lobbying

• NPPC has resources for your state’s battle:
  – Financial, organizational, communications, research
Take Away 3: Research & Messaging

- Keep messages broad and simple.
- Dedicated research is essential:
  - Showing scope of cuts
  - Exposing anti-worker committees
- Pro-public pension testimony and white papers to counter pension reform arguments:
  - Objective third party economists, actuaries
  - Positive press coverage
For More Information

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Truthaboutpensions.org