Statement of Hank Kim, Esq., Executive Director and Counsel
National Conference on Public Employee Retirement Systems (NCPERS)

On Hatch’s Secure Annuities for Employee (SAFE) Retirement Act

Washington, DC – “Senator Orrin Hatch’s legislative proposal to turn public employee pensions over to private insurance companies is not only ill-conceived and unworkable, it completely misses the point. His legislation is nothing more than a solution in search of a problem – and his proposal deftly directs public attention away from the real problem.

“America’s private sector is facing a retirement security crisis of unprecedented proportions. All available evidence indicates that the private sector retirement savings deficit runs upwards of $14 trillion – meaning tens of millions of aging baby boomers and the generation behind them will have insufficient assets to fund their retirements, dampening economic activity and placing burdens on government entitlement programs.

“Public pension plans, on the other hand, are alive and well. Their investment returns have rebounded robustly since taking a hit, like all other institutional investors, during the Great Recession. Those investment returns, along with widespread procedural and operational reforms, have left public pension plans well-funded, financially healthy and sustainable for the long term.

“It is worth noting that for more than 150 years of public pension history, no public pension plan has ever asked for a federal bailout. But according to a GAO study from 1975 to 1990, 170 insurance companies failed.

“Sen. Hatch would like to hand public pension systems over to life insurance companies, with those life insurance companies providing individual public employees with lifetime annuities. Contracting out a non-profit enterprise to a for-profit insurance company makes absolutely no sense. Public pension plans are already in the business of providing their retirees with annuities. We self-annuitize – at a cost of 50 to 76 basis points, certainly a lower cost than a for-profit insurance company could offer.

“Sen. Hatch and his colleagues on Capitol Hill should be devoting their time and energy to addressing the private sector’s retirement dilemma. In the wake of the Great Recession and its powerful, negative impact on 401(k) account balances, American workers have said in survey after survey that they want protection
from the stock market’s vagaries and from unexpected economic downturns. They want a measure of certainty, in the form of a defined benefit pension.

“Social Security and personal savings, including 401(k)s, will not be enough. The crucial third leg of the classic retirement stool – the defined benefit pension – has all but disappeared from the private sector. There are numerous proposals, including one advanced by my organization – our Secure Choice Pension plan – to restore them to the American workforce. Sen. Hatch and his colleagues would be performing a far greater service if they were to turn their attention to those proposals and the private sector’s dilemma. To slightly revise Sen. Hatch’s own words: America cannot continue sleepwalking into the financial disaster that awaits us if we do not get the private sector retirement savings crisis under control.”

About NCPERS

The National Conference on Public Employee Retirement Systems (NCPERS) is the largest trade association for public sector pension funds, representing more than 550 funds throughout the United States and Canada. It is a unique non-profit network of public trustees, administrators, public officials and investment professionals who collectively manage more than $3 trillion in pension assets. Founded in 1941, NCPERS is the principal trade association working to promote and protect pensions by focusing on advocacy, research and education for the benefit of public sector pension stakeholders.

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