Measures Included in Puerto Rico Assistance Act Would Undermine Public Pensions in All 50 States

Bailout Bill Should Not Be a Vehicle for Pension Overhaul, NCPERS Asserts

Washington, D.C. -- The National Conference on Public Employee Retirement Systems (NCPERS) issued the following statement from Hank H. Kim, Esq., executive director and counsel, regarding pension measures, spearheaded by Senate Finance Committee Chairman Orrin Hatch (R-Utah) and included in the Puerto Rico Assistance Act (S. 2381). The proposed legislation resurrects two bills previously advanced by Chairman Hatch – the Secure Annuities for Employees (SAFE) Retirement Act and the Public Employee Pension Transparency Act.

“We are dismayed that Chairman Hatch’s proposal to undermine public pensions has surfaced again, this time in the Puerto Rico Assistance Act. This urgent legislation is not the place for advancing an agenda that is, at best, tangential to the financial stability of Puerto Rico and, at worst, destabilizing to millions of public employees and retirees.

“One of Chairman Hatch’s measures would set the stage for all U.S. states and territories – not just Puerto Rico – to turn public pensions over to private insurance companies. This is an ill-conceived and unworkable approach that would penalize even the most soundly operated and well funded pension systems. Contracting out public pensions— which are non-profit enterprises—to for-profit insurance companies makes absolutely no sense. Public pension plans are already in the business of providing their retirees with the annuities Chairman Hatch advocates. We self-annuitize at a cost of 60 basis points, certainly a lower cost than a for-profit insurance company could offer.

“A second measure would upend oversight of state and local government pension systems by requiring them, for the first time, to report their funding status to the U.S. Treasury Department review. Under this law, the federal government would arrogate its authority even though no state or local public pension plan has ever asked for a federal bailout. The measure would also require recalculation of public pension plans’ funded
status using an approach that would make even well-funded plans appear to be poorly funded.

“Adding these provisions to a fast-moving bill deprives state and local pension systems across the U.S. of the opportunity to vigorously address their concerns. The inclusion of these provisions ignores the fact that public pension plans are alive and well. Their investment returns have rebounded 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 the vast majority of public pension plans well-funded, financially healthy, and sustainable for the long term. Indeed, a recent survey showed that pension plans’ confidence in their ability to meet future obligations is near an all-time high.

“We urge lawmakers to reject this ill-considered move to fast-track sweeping pension reforms.”

About NCPERS

The National Conference on Public Employee Retirement Systems (NCPERS) is the largest trade association for public sector pension funds, representing more than 500 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.