The Committee of Thirteen

Advocating for your retirement future   Educating for your retirement planning

March 2014

For Committee of Thirteen

Showing legislators the flawed information used by groups who want to gut teacher pensions is a top priority

There's no dodging the national campaign aimed at gutting public employee pensions. Newspaper articles, TV shows (even on PBS), web ads, never-ending hearings on pension plans and how to "reform" them.

TRA and Minnesota's other major public employee pension plans are in relatively good health and improving with improved stock market earnings, but you wouldn't know it from the constant barrage of anti-pension news.

Making sure that legislators know the plans are in good health is one of the Committee of Thirteen's major goals this year. Fending off ill-conceived efforts to change TRA's defined benefit pension plans is another important goal--one that requires constant vigilance.

That's why Louise Sundin, the Committee of Thirteen lobbyist, is spending her time on your behalf at the Capitol during the 2014 legislative session.

In addition, the Committee of Thirteen will also support our colleagues in Duluth as they seek permission to bring Duluth into TRA.

To allow the merger without affecting current TRA members, the legislature will be asked to contribute an additional $14 million per year beginning in 2015 to offset future costs of Duluth retirees.

The Commission is looking at the "Minneapolis model" of funding based on our successful merger with TRA.
In fact, the legislature, the city and the school district still contribute funding to pay

Legislature governs public employee pensions; Pension Commission advises legislators

State Senator Sandy Pappas

Minnesota's 14-member Legislative Commission on Pensions and Retirements plays a key role in shaping the pension legislation--and benefits--that affect Minnesota's teachers. The bipartisan Commission serves as the Legislature's committee of experts on pension issues. Commission members are appointed by House and Senate leaders.

The Commission's approach to public employee pensions tends to shift when the House and Senate majorities shift between the DFL and the Republican party. Currently, Senator Sandy Pappas,DFL, St. Paul, chairs the Commission. Pappas is a steadfast defender of the Commission's pension principles that safeguard your retirement security.

Legislative Commission on Pensions and Retirement

Senate Members

Sen. Sandra L. Pappas, Chair

Sen. Julie A. Rosen, Secretary

Sen. Barb Goodwin
Sen. Jeff Hayden
Sen. Alice M. Johnson
Sen. Tom Saxhaug
Sen. Dave Thompson

House Members

Rep. Mary Murphy, Vice Chair

Rep. Mike Benson
Rep. Phyllis Kahn
Rep. John Lesch
Rep. Will Morgan
Rep. Tim O'Driscoll
Rep. Michael V. Nelson

Commission meetings are open to the public and are scheduled for 5:30 PM March 18 and March 25 in Room 123 at the Capitol.

Social Security Fairness

The Committee to Repeal the Government Pension Offset & the Windfall Elimination Provision

Ask your Congressperson and both Senators to vote to repeal GPO/WEP.

Opinion

Pension "reformers" target retirement funds

by Jay C. Ritterson, President, Committee of Thirteen

Our weather and our spirits both seem to be improving this week. The slow decline of spirits caused by deep winter overtakes us in insidious ways.

It dulls our senses and we miss the bears sniffing at our door. And, it deadens our hope so that we forget the flowers of spring that will be here, if we can just soldier on.

Your pension system has been affected by the winter too. The Legislative Commission on Pensions and Retirement has been holding interim meetings to discuss ideas to change public pension plans and the funding system that supports them.

"Reformers" are, in effect, telling the Pension Commission that our state can walk away from its commitment to public employees.

All of the ideas presented include one characteristic that makes them suspect: IF put into play these ideas would shift money out of the secure pension funds Minnesota public employees currently have into riskier accounts operated, for their own profit, by investment companies.

And, if you can't yet hear the bear sniffing round your door, consider the fact that the Pension Commission is considering proposals that would cut the amount of money that taxpayers put into pensions for public workers.

The Center of the American Experiment, the American Legislative Education Council (ALEC) and their allies are telling the Pension Commission that our state and its taxpayers can walk away from their commitment to the people who provide the public services we value in Minnesota.

The Committee of Thirteen is urging the Pension Commission to reject ALEC's proposals. We believe that when we work together to maintain TRA and Minnesota's other public employee retirement funds, all Minnesotans can continue to enjoy our great quality of life. And, public employees can continue to enjoy a secure retirement.

ALEC and its allies are counting on young workers–underpaid, independent and ambitious selfies. Their goal is to win over younger workers who, they believe, will kick the props out from under the plans.

Thankfully, most young workers are not mindless, easily duped pawns in ALEC's game. They don'twant to lose the pension piece of their contract with the public. They are simply being squeezed to do more and more without raises or recognition.

The bears don't talk about the proposed state-wide pensions that would allow young people to change jobs and continue to build their pension value.

Instead, the "pension reform" bears push for "defined-contribution" plans. Paul Buchheit, in a *Nation of Change op/ed, 6 January 2014,* says, "The average working household has virtually no retirement savings, but it doesn't matter to business-happy privatization advocates, who don't seem to recognize that this poorer half of America even exists."

Monique Morrissey of *Pensions & Investments Online, 20 January 2014*, adds, "Although often assumed to save money, defined contribution plans are inefficient compared with defined benefit plans, which benefit from risk pooling, economies of scale and higher investment returns."

But of course, the money the bears hope to gain is ours, not theirs.

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Opinion

Think tank is not looking out for teachers

by Laurie Fiori-Hacking, Executive Director, TRA

The Center of the American Experiment (CAE) is arguing for the state legislature to convert defined-benefit pensions for teachers and other public workers to 401(k)-type plans.

The organization advocates for shifting all current and new teachers into a defined-contribution plan similar to "what college professors enjoy at our state universities."

However, when given a choice, many choose a defined-benefit pension. Many Minnesota K-12 teachers exercise their option of saving in a 403(b) defined-contribution plan, which is similar to a private-sector 401(k). These plans are intended as a supplement to Teachers Retirement Association pensions and Social Security.

As we have learned from the failed 401(k) experiment, private-sector workers do not get sufficient retirement income from 401(k) plans and are struggling to sustain themselves in retirement on Social Security alone.

Is this what the CAE wants for Minnesota teachers? As for taxpayers, who would pay for the increase in public assistance and nursing home costs for those who either have no retirement savings or whose savings run out?

Who would pay the $3 billion it would cost Minnesota to shift from a successful defined-benefit pension program to a 401(k) system? Even Josh McGee of the Laura and John Arnold Foundation believes the 401(k) model is flawed. "The 401(k) has been implemented poorly in the private sector," he told the Legislative Commission on Pensions and Retirement (LCPR) last month. "There are high fees...there's poor asset allocation and poor options for annuitization."

We have been fortunate to have high investment returns averaging over 10 percent annually over the last 33 years, ranking TRA in the top quartile nationally

There is no factual basis for the CAE's allegation that Minnesota's public pension systems are not properly valuing liabilities. In fact, we rely on professional actuaries, and our valuations are regularly audited by an outside actuary employed by the LCPR.

Finally, major bond rating agencies have repeatedly cited Minnesota's well-managed pension plans as a positive for the state's credit rating.

Mansco Perry to lead State Investment Board

Mansco Perry III, chief investment officer at Macalester College, has been named executive director of the Minnesota State Board of Investment (SBI), succeeding Howard Bicker.
The SBI invests $68 billion in state and pension fund assets. Perry, 60, was assistant executive director of the Minnesota SBI from 1990 to 2008, and was chief investment officer at the $40 billion Maryland State Retirement Agency from 2008 to 2010. He was chief investment officer at Macalester since 2010.

A defined benefit pension plan is a type of pension plan in which an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns. TRA is a defined-benefit pension plan.

The Center for the American Experiment, ALEC, the Laura and John Arnold Foundation and some major investment firms want public employers to shift to defined-contribution retirement plans. In a defined-contribution plan the amount you invest is predetermined. The amount of the benefit varies with the quality of the investments and the health of the stock market.

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President Obama has dropped the planned cuts to Social Security that were included in his budget last year. Many politicians thought Social Security had to be cut to win Republicans' support for the budget. But Social Security is off the table for now.

STRENGTHEN SOCIAL SECURITY

...don't cut it.

PBS pulls series slamming public employee pensions

Those who have come to rely on PBS for objective news and information were stunned by the debut last month of a new WNET-produced series titled "The Pension Peril." As David Sirota recently blogged in an exclusive report the program, which appeared on hundreds of PBS stations nationwide, promoted the incorrect narrative that public employee pensions are causing state budget shortfalls and need to be drastically cut.

Sirota also reported that the series was funded by one of the nation's wealthiest anti-pension activists--former hedge fund manager, John Arnold. Through his Laura and John Arnold Foundation, he has spent millions of dollars campaigning against public employee pensions. After Sirota's story was picked up by the New York Times, WNET, feeling the pressure from outraged viewers, returned the Arnold Foundation's money and put the series on hiatus.

Researchers find fiscal mismanagement, not pension costs, caused most currrent city, state financial woes

Detroit's bankruptcy and Chicago's pension problems have prompted a wave of speculation about city finances.

What are the facts? The underlying problems in financially troubled cities have been decades in the making: population loss, declining tax bases, and other patterns of fiscal mismanagement. Now, research from the Center for State & Local Government Excellence finds that only a small number of cities overall face serious financial troubles and one-third of them are in California. Pensions are a minor factor in financially troubled cities; fiscal mismanagement tops the list.