

**American Federation of State, County and Municipal Employees (AFSCME)**  
**National Association of Counties (NACo)**  
**American Federation of Teachers (AFT)**  
**United States Conference of Mayors (USCM)**  
**International Association of Fire Fighters (IAFF)**  
**National League of Cities (NLC)**  
**International City/County Management Association (ICMA)**  
**National Education Association (NEA)**  
**National Association of State Auditors Comptrollers and Treasurers (NASACT)**  
**National Association of Police Organizations (NAPO)**  
**Fraternal Order of Police (FOP)**  
**Government Finance Officers Association (GFOA)**  
**International Public Management Association for Human Resources (IPMA-HR)**  
**National Association of State Retirement Administrators (NASRA)**  
**National Conference on Public Employee Retirement Systems (NCPERS)**  
**National Council on Teacher Retirement (NCTR)**  
**National Conference of State Social Security Administrators (NCSSSA)**

January 29, 2010

VIA FACSIMILE (202) 225-4188

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Capitol Building, H-232  
Washington, DC 20515-6501

Dear Madame Speaker:

On behalf of the national organizations listed above—representing State and local governments and officials, public employee unions, public retirement systems, and more than 20 million working and retired state and local government workers and their beneficiaries—we are writing to correct the record with regard to the long-term viability of State and local government employee retirement systems. Attached for your review are two recent letters pointing out the problems when generalizations regarding such plans are based on an inappropriate snapshot of a misrepresentative few examples. We therefore think it appropriate to relay the following key facts with regard to these important programs:

- **State and local retirement systems are intentionally designed to withstand periods of market volatility.** Public pensions have historically proven the ability to weather market downturns. Assets set aside for State and local employee pensions are pooled, professionally managed and invested on a long-term basis using sound investment policies. Their long time horizon enables public funds not only to continue paying benefits to retirees and their survivors during economic declines, but also to provide a critical economic stimulus – more than \$165 billion last year alone - to virtually every community across the country.

- **Public employers, plans and participants are actively examining ways to ensure continued sustainability decades into the future.** While public retirement systems have been affected by the recent unprecedented market decline, governments, their plans and their employees (who typically share in the financing of their pension), working through State and local legislative and regulatory structures, are aggressively engaged in the process of examining benefit levels and financing structures in order to rebuild reserves and ensure a sustainable path forward. Given the differing plan designs and financial pictures across the country, a different range of solutions will be required for each in order to best secure their viability for the very long-term.

We hope in the near future to have the opportunity to meet with you and your staff to discuss the various strategies being explored at the state and local levels of government, as well as participate in the very important national policy dialogue needed to ensure retirement security for all Americans. Please feel free to contact our legislative representatives if you have any questions or would like additional information:

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Bill Cunningham, AFT, (202) 393-6301  
Larry Jones, USCM, (202) 861-6709  
Barry Kasinitz, IAFF, (202) 737-8484  
Neil Bomberg, NLC, (202) 626-3000  
Robert Carty, ICMA, (202) 962-3560  
Alfred Campos, NEA, (202) 822-7345  
Cornelia Chebinou, NASACT, (202) 624-545  
Bill Johnson, NAPO, (703) 549-0775  
Tim Richardson, FOP, (202) 547-8189  
Barrie Tabin Berger, GFOA, (202) 393-8020  
Tina Ott Chiappetta, IPMA-HR, (703) 549-7100 x 244  
Jeannine Markoe Raymond, NASRA, (202) 624-1417  
Hank Kim, NCPERS, (202) 624-1456  
Leigh Snell, NCTR, (540) 333-1015  
James Driver, NCSSSA, (502) 564-6888

Attachments (2)



*NOTE: A modified version of this letter was published by the Washington Post on January 8, 2010 and is available at:*  
<http://www.washingtonpost.com/wp-dyn/content/article/2010/01/07/AR2010010704211.html>

January 4, 2010

Letters to the Editor  
The Washington Post  
1150 15th Street, NW  
Washington, DC 20071

To the Editor,

What a contrast between *The Washington Post's* reporting and the editorial page on January 2nd. The front page told the sobering story of a "lost decade" during which America's middle class saw no real gains in jobs, income, or net worth. But the editorial page implied that some members of the middle class have it too good - namely folks who teach our kids, keep our streets safe, and provide other public services.

Characterizing retirement benefits that (by the Post's own figures) average just \$1,470 per month "generous" or even "lavish," the editorial made no mention of the fact that public employees typically contribute a significant chunk of every paycheck to their pensions, sharing in the responsibility of financing their modest benefits. The Post editors also ignored that large numbers of these employees are ineligible for Social Security. In other words, that \$1,470 pension check may be the only source of income in old age for a retired firefighter, social worker, or school librarian.

While some states have been rightly re-examining their pension programs to ensure their long-term health, the solution cannot be a race to the bottom. Rather, in light of the intense economic insecurity that Americans are feeling after this lost decade, we must restore the ability of all members of the middle class the chance to achieve a modest, secure retirement.

Sincerely,

Beth Almeida  
Executive Director



January 11, 2010

The Editors  
The Washington Post  
1150 15th Street, NW  
Washington, DC 20071

**VIA ELECTRONIC MAIL**

To the Editors:

The January 2nd editorial in *The Washington Post* uses incomplete information to describe public pensions. While the reserves set aside in trust for future pension benefits, along with State and local government fiscal conditions, have been severely affected by the 2008 market decline, the vast majority of public pension plans have sufficient assets to continue paying promised pension benefits for the foreseeable future, even using very pessimistic projections. Public pensions do not require, nor are they seeking, any Federal bail-out.

A chief reason for this is the fact that public pension plans are pre-funded; they are not “promise now, pay later” schemes. That is, a significant portion of the assets needed to fund public sector pension liabilities is accumulated during a government employee’s working life from contributions and investment returns, which is then paid out during that employee’s retirement. Consequently, State and local government retirement systems currently have more than \$2.6 trillion in financial assets accumulated to ensure the retirement security of their working and retired employees, survivors and beneficiaries. Moreover, public employees share, along with their employers, in the cost of their retirement, typically contributing from five to ten percent of their paychecks to their pensions.

Another major reason why public pension funds are well-prepared to withstand periods of market volatility is that the assets set aside for State and local employee pensions are pooled, professionally managed and invested on a long-term basis using sound investment policies, including portfolio diversification. Since public plans and their sponsors are effectively perpetual entities, they are also able to employ an extensive time horizon that allows for a patient and measured approach.

As a result, investment earnings have accounted for 58 percent of all public pension revenue from 1982 through 2008. Although much has been made of so-called “rosy investment earnings projections,” typically eight percent in recent years, the fact is that, according to Ibbotson Associates, overall stock returns have averaged 10.4% per year

since 1926. Indeed, most economists consider the projected long-term rates of return used by public pension plans reasonable given their balanced investment portfolios.

This is not to say that changes will not need to be made in response to the loss in pension assets as a result of the unprecedented 2008 market decline. Indeed, State and local governments, their pension plans and their employees are already engaged in the process of examining benefit levels and financing structures in order to rebuild reserves. Asset allocation strategies also are being reviewed. However, to suggest that governmental plans will be “tempted to gamble for higher returns to make up for their losses” ignores recent statistical research on thousands of plans over many decades. Such analysis concludes that after experiencing cyclical market losses, public plans consistently follow prudent investment practices, maintaining a focus on the long-term, and invest in new asset classes to diversify risk, not increase it.

Governmental plans, their sponsors and their participants recognize that in order to remain sustainable over the long term, adjustments may be necessary. Indeed, such flexibility and a willingness to make changes is a hallmark of the history of public pensions – from the move to pre-funding from pay-as-you-go, to the incorporation and active promotion of deferred compensation plans as important supplements to traditional pensions.

However, our retirement systems differ not only from corporate pensions, but also from one another in both design and governance arrangements. This has produced varying financial pictures across the country that will in turn require varying approaches to sustainability, depending on many factors, particularly a plan’s funding condition prior to the market decline. Therefore, while tempting, it is difficult – and ultimately misleading - - to generalize about the overall state of public plans based on the condition of a select few.

Public pension funds distribute more than \$160 billion in benefits annually to more than 7.5 million Americans. These distributions not only provide financial security to retirees and their survivors, but also, through consistent, inflation-protected revenue streams flowing into virtually every community throughout the nation, they have provided vital economic stability and stimulus during this painful economic period in our nation’s history. While the number of corporate pensions is seriously on the decline, public pensions have continued to flourish – solid evidence that their existing regulatory and financial structure is working.

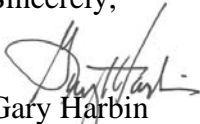
Many Americans saw their retirement savings severely diminished by the economic downturn and many may not have a sufficient time horizon to rebuild their assets. This will place an unexpected financial burden not only on individuals and their families, but also on our already strained public assistance programs and our economy. In contrast, State and local retirement systems have weathered numerous market declines in the past,

and are already working with affected stakeholders, including the taxpayer, to do so once again.

Governmental pension plans therefore provide a model that should be emulated, not used to provoke fear, or dismissed as outdated or obsolete, particularly given the growing number of private-sector workers who will have no income security in retirement. If, as *The Washington Post* states, only 20 percent of private-sector employees participate in traditional defined benefit plans, providing them with a median monthly income of just \$641, the answer should be to find ways to secure a more realistic retirement for these Americans – not to reduce the average monthly \$1,470 pension check the *Post* says the vast majority of those who teach our children, drive their school buses, and keep them safe from harm receive (an amount that may not be supplemented by Social Security, for which many public employees are not eligible).

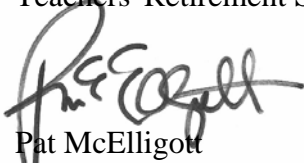
We welcome coverage and commentary related to the important and necessary process of re-examining the best means of providing realistic, sustainable retirement security for public employees. Creating fear where retirement security still exists is irresponsible and only erodes efforts to address the true retirement security crisis facing our nation.

Sincerely,



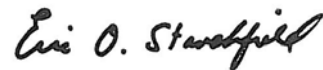
Gary Harbin

President, National Council on Teacher Retirement; Executive Secretary, Kentucky Teachers' Retirement System



Pat McElligott

President, National Conference on Public Employee Retirement Systems; Captain, Tacoma, Washington Fire Department; Chair, Washington State Investment Board.



Eric Stanchfield

President, National Association of State Retirement Administrators; Executive Director, District of Columbia Retirement Board

*The National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR), collectively represent State and local public employee retirement systems that hold over \$2.6 trillion in trust for nearly 20 million public employees, retirees and their beneficiaries.*