

The Public Employee Pension Transparency Act

H.R. 567 – (Nunes, R-CA)
S. 347 – (Burr, R-NC)

Legislation Committee
Item 8-12
April 12, 2011

H.R. 567 / S. 347 Provisions

- Requires public pension plans to annually report plan assets, liabilities and funding status to Treasury Dept
- Requires reports to be posted by Treasury Dept
- Failure to comply results in forfeiture of federal tax benefits
- Prohibits federal bailouts of state / local pension plans

Reporting Requirements

- Reports must contain:
 1. Schedule of funding status
 2. Schedule of contributions
 3. Alternative 20-year projections:
 - describing annual contributions, asset fair market value, liability, and funding percentage
 - using Treasury bond rate and plan investment forecasts (current standard)
 4. Statement of actuarial assumptions used

Reporting Requirements (cont.)

5. Number of plan participants
6. Plan's investment returns for the current year and five preceding years
7. Statement of the degree to which unfunded liabilities are expected to be eliminated; and
8. Amount of pension obligation bonds outstanding

Background

- Economic downturn has negatively impacted state and local revenue
- Financial losses have prompted review of future liabilities, including pension plans

Background

- Current Practice:
 - State & local governments project future plan assets/liabilities using estimated long-term rates of return on their investments
 - State & local governments publish audited annual financial reports in compliance with Generally Accepted Accounting Principles set by the Governmental Accounting Standards Board

Background

- Proponents express:
 - Concern that public pensions are assuming unrealistic rates of return, underestimating future liability
 - Concern that public may be asked to pay for underfunding of retiree benefits
 - Support for universal standard for evaluating funding status

Background (continued)

- Opponents express concerns regarding:
 - Federal govt. intrusion into financial responsibilities regulated by state & local govt.
 - Duplicates and conflicts with current reporting requirements, adds expense
 - May create turmoil in bond market; needlessly alarm bondholders, taxpayers, and retirees
 - May lead to erroneous claims that pension trusts may soon be exhausted

Board Options

- Option #1:
 - Express no position on H.R. 567 and S. 347
- Option #2:
 - Express support for H.R. 567 and S. 347
- Staff Recommendation:
 - Option #1

Questions?