



Federal Legislative Report

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- 1. Where are we now?**
- 2. Where are we going?**
- 3. What are we doing?**





Where are we now?



2011 – the first 10 months





2/9/2011 – “State and Municipal Debt: The Coming Crisis?”

2/14/2011 – “The Role of Public Employee Pensions in Contributing to State Insolvency and the Possibility of a State Bankruptcy Chapter”

3/15/2011 – “State and Municipal Debt: The Coming Crisis? Part II”

4/14/2011 - "State and Municipal Debt: Tough Choices Ahead”

5/5/2011 – “Transparency and Funding of State and Local Pension Plans”





2011: Where are we now?

- Congress: Nunes/Burr Legislation (HR 567; S 347)
- SEC: focus on “public pension accounting and disclosure violations;” bond offerings relating to pension fund disclosures; NABL “Considerations;” SEC proposed rule treating appointed trustees as municipal advisors.
- IRS/Treasury: use of pick-ups for new tiers, purchase of service credits; normal retirement age regs; definition of governmental plan.
- GASB: Exposure Drafts issued in July.



Where are we going?





Where are we going? Congress

PEPTA (Nunes/Burr)

- Timing is everything!
- Nunes strategy in House: larger, “must-do” bill?
- Burr strategy in Senate: Finance Hearing?
- Plan failure? All bets are off.



Where are we going? Congress

Tax reform

- Debt Ceiling deal
- Tax expenditures – “Everything’s on the table”
- What about DBs? Will only DC’s be impacted?



Where are we going? Congress

Tax Expenditures

- Total budget impact of income tax expenditures in 2011 ~ **\$1.2 trillion**
- Largest FY 2009 tax expenditures
 - Exclusion of **health benefits** (\$94.4B)
 - **Home mortgage** deduction (\$86.4B)
 - Exclusion of **pension contributions earnings** (\$73B)
For DB plans alone: **\$275.7B** for FY 2009-13





Where are we going? Congress

Pension Tax Expenditure Recommendations

- Deficit Commission:
 - Consolidate retirement accounts
 - Cap tax-deferred contribs to lower of \$20,000/20% of income
- Domenici-Rivlin Task Force:
 - Restructure itemized deductions
 - Eliminate “almost all” tax expenditures but retain those for DB plans
 - Modify those for 401(k) plans, IRAs and Keogh plans, with caps of \$20,000 or 20%





Tax Reform/Deficit Reduction

- Link to public employees, public pensions?
- 2011, 2012 por 2013??
- Vehicle for PEPTA?





Where are we going? Congress Mandatory Social Security

- Then: too disruptive, costly for State and local governments; too little benefit to overall Social Security reform; unlikely to be considered separate and apart from Social Security solvency.
- Now: necessary pension reform; help states, localities “get their fiscal houses in order,” avoid Federal pension bailout; permits “transitioning to more sustainable pension programs.”
- Mandatory Social Security without major SS reform?





Where are we going? Congress

3% Non-Wage Withholding

- Feds, states, and locals to deduct, withhold 3% of any payment for property, services; exception for states' political subdivisions and their instrumentalities that make less than \$100 million in payments annually.
- Implementation date delayed until 1/1/2013.
- Chamber of Commerce, small biz now VERY active.
- Mark-up of repeal bill (HR 674) in W&M 10/13/2011





Where are we going? SEC

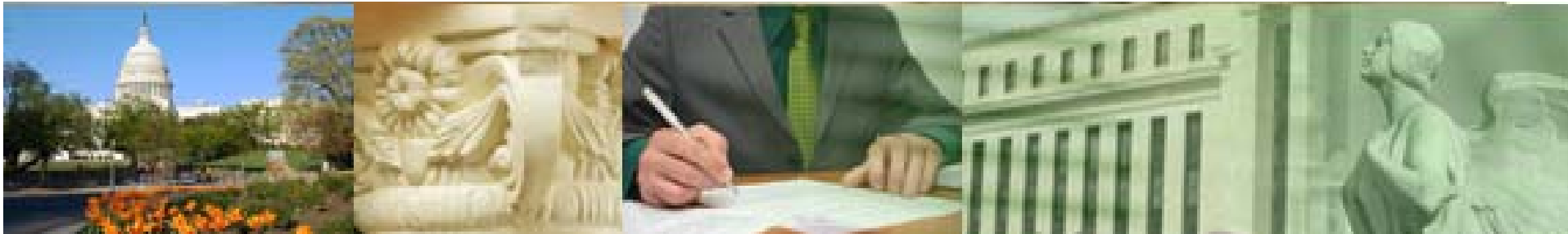
- More enforcement actions.
- Regulation of pension disclosures in bond offerings.
- NABL Guidelines.
- Trustees as muni advisers.
- “Special” treatment of public pension investors.
- Independent, more reliable funding mechanism for GASB; SEC oversight.



NABL Bond Disclosures Project

- Basic guidance for Official Statements
 - Not guidelines
- Voluntary vs. SEC mandate
- Status





SEC Muni Advisor Rule

- Proposed 12/20/2010: appointed board members need to register as municipal advisors
- NCTR/NASRA: as members of the governing body of a state or local retirement system, public pension trustees are part and parcel of the plan that they govern, and not advisers to it, and thus exempt.
- To hold otherwise would mean that any third party who provides advice to the governing body of a municipal entity would NOT be required to register as a municipal advisor, nor be subject to the other municipal advisor provisions of the Dodd-Frank Act, since the law's prohibitions refer to soliciting or providing to a "municipal entity."





Where are we going? IRS/Treasury

- New regulations/guidance on normal retirement age
- Definition of governmental plan
- Orange County PLR re: pick-ups
- The 2012 election and Obama's "move to the middle;" does he have to make some gesture regarding public pension transparency, funding?



Governmental Accounting Standards Board

- No ARC; no MVL, but possibly a blended rate
- Smoothing; Amortization
- Cost-sharing plans
- Impact on employer balance sheets
- “New ARC”
- PPN letter from employers, employees, AARP



What are we doing?





What are we doing?

- ✓ Meetings! Meetings! Meetings!
- ✓ Taking on Rauh
- ✓ Making news, not simply
- ✓ Social media presence
- ✓ NCTR/NASRA External Affairs Manager

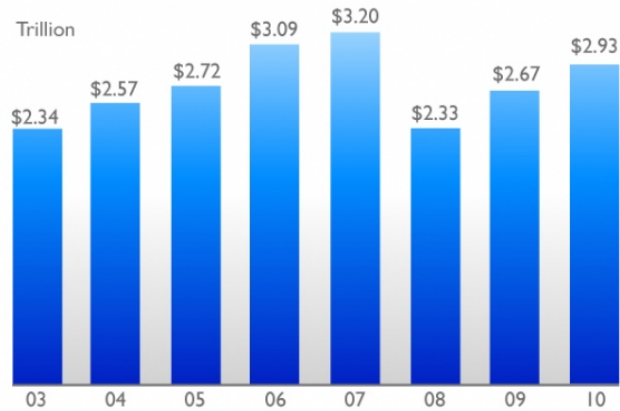


1.



[Home](#) [About](#) [Fundamental Facts](#)

Public Pension Systems Rebounding from Recession



Public Plans Recovering from Recession

At the end of calendar year 2010, aggregate state and local government retirement system assets totaled \$2.93 trillion, a 35 percent increase from their quarterly low point during the market collapse. These asset levels are also nearly 25 percent higher than they were on June 30, 2009 – a date on which many recent studies on the financial condition of state and local pension trusts are based.

What's being talked about

Inaccurate Insolvency Projections

Read up on the May 5 hearing on the Transparency and Funding of State and Local Pension Plans

What the Public Employee Pension Transparency Act would and would not do

2.



Pension Dialog

@PensionDialog U.S.

What is the truth in public pensions? We're sharing the facts about the nation's state and local government retirement system community.

<http://pensiondialog.com>



Public Pensions Being Discussed Around the Web

[Link to the U.S. Senate Committee on Health, Education, Labor and Pensions hearing on “The Power of Pensions: Building a Strong Middle Class and Strong Economy” \(July 12, 2011\)](#)

[Link to Pew Conference: State Pension and Retiree Health Benefits \(June 23, 2011\)](#)

[Link to the U.S. House of Representatives Committee on the Judiciary hearing on “The Role of Public Employee Pensions in Contributing to State Insolvency and the Possibility of a State Bankruptcy Chapter” \(February 14, 2011\)](#)

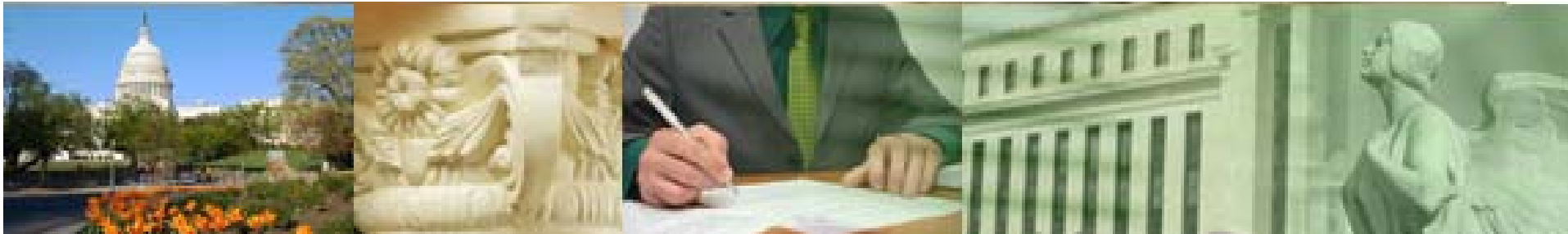
[The Young Turks](#), reportedly the largest online news show in the world, covering politics, pop culture and lifestyle, reviews an article published by [McClatchy](#) that explains why public employee pensions are not bankrupting states (March 7, 2011)





Getting the Facts Out: Public Pensions ≠ Fiscal Crisis

- Substantiating facts with data
- Offering commentary
- Highlighting studies/research
- Responding to misstatements/negative stories
- Supporting public employees



What can you do?

- Be aware – ask questions -- stay informed
- Communicate with Congressional delegation
 - ✓ Who you are
 - ✓ What you do
 - ✓ Fiscal impact
- Follow PensionDialog blog and Twitter
 - “Like” articles on Facebook, LinkedIn



THE WALL STREET JOURNAL, Friday, May 5, 1978

Soaring Pension Costs For Public Employes Plague States, Cities

Inadequate Funding in Past
Adds to Current Burden;
Washington Worried Too





Questions?

