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## **Hatch's SAFE Act Would Increase Costs While Putting Public Pension Benefits at Risk, NCPERS Tells NCOIL's Legislative Committee** *Calls Hatch Proposal "A Solution Desperately Searching for a Problem"*

**Nashville** – The Secure Annuities for Employee (SAFE) Retirement Act, introduced by Sen. Orrin Hatch (R-Utah), is a “solution desperately searching for a problem” that would force either an increase in the cost of providing public pension benefits or a reduction in benefits to maintain current cost levels, a leading public pension expert said today.

In written testimony submitted to the Legislative Committee on Financial Services of the National Conference of Insurance Legislators ([NCOIL](#)), [Hank Kim, Esq.](#), Executive Director and Counsel for the National Conference on Public Employee Retirement Systems ([NCPERS](#)), said the SAFE Act is ill conceived, unworkable and is directing policymakers' attention away from America's true retirement dilemma.

“Sen. Hatch says his bill is designed to address the ‘public pension debt crisis’ – but there is no public pension debt crisis,” Kim said. “Contrary to the Senator’s sometimes hyperbolic assertions, public pension plans are alive and well. It’s true that, like all institutional investors, they took a beating from the Great Recession. But they have rebounded impressively. Continuing strong investment returns and new efficiencies from procedural and operational reforms have led public pension plans to a robust recovery.

“With only a few, rare exceptions – in jurisdictions where legislatures repeatedly failed to approve legally mandated funding for pension plans during boom times – public pension plans are well funded, financially healthy and sustainable for the long term,” Kim said.

The recently released 2013 NCPERS Public Retirement System Study, the most comprehensive and up-to-date survey of its kind, shows that despite market declines in recent years, public plans' returns on long-term investments continue to rise, while the overall average expense for administration and investment manager fees is just 57.3 basis points – compared to 77 basis points for most equity and hybrid mutual funds.

Kim's testimony makes three key points:

- There is no “public pension debt crisis.”

- Contracting out a non-profit enterprise to a for-profit insurance company would have one of two results: it would either raise the cost of benefits provided, or force a reduction in benefits to maintain predictable, lower costs.
- Transferring responsibility for pension liabilities to a private insurance company would put pension benefits at unnecessary risk – because private insurance companies sometimes fail and insurance guarantee associations offer only limited protection.

“During the more than 150 years of public pension history, no public pension plan has ever asked for a federal bailout,” Kim said. “But life insurance companies have failed – 170 of them between 1975 and 1990, according to the Government Accountability Office.”

While Sen. Hatch is advocating a fix for something that’s far from broken, Kim said, he is overlooking a true dilemma whose resolution is crucial to the nation’s economic well-being and to state and local financial stability. America’s private sector is facing a retirement security crisis of unprecedented proportions, with a retirement savings deficit that runs upwards of \$14 trillion.

“That means tens of millions of aging baby boomers and the generation behind them will have insufficient assets to fund their retirements,” Kim said. “And that will limit their economic activity, generating lower tax revenues and placing additional burdens on government entitlement programs.”

A number of states – including Massachusetts, California, Maryland and Oregon – are addressing the retirement crisis by pursuing public-private partnerships to create retirement savings programs for private sector workers. NCPERS is working with legislators in several states to help them achieve that goal. There are numerous proposals, including NCPERS’ Secure Choice Pension plan, to restore defined benefit pensions like those covering public sector employees to the private sector. Sen. Tom Harkin (D-IA), Chairman of the Senate’s Health, Education, Labor and Pensions Committee, is expected to introduce his own legislation to achieve the same goal in the near future.

“The vast majority of public pension plans are financially sound and sustainable for the long term. It is not necessary – and would be extremely costly – to employ Sen. Hatch’s formula to fix something that’s not only not broken, but that’s working well,” Kim said. “It is our view that policymakers should devote considerable resources to addressing the private sector’s retirement dilemma. To slightly revise Sen. Hatch’s own words: America cannot continue sleepwalking into the financial disaster that awaits us if we do not get the *private sector* retirement savings crisis under control.”

## **About NCPERS**

The National Conference on Public Employee Retirement Systems (NCPERS) is the largest trade association for public sector pension funds, representing more than 550 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.