IMPORTANT NOTICE TO ALL MEMBERS AND RETIREES

Staff at the Fresno Retirement Office learned that local U.S. Representative Devin Nunes is advancing legislation in Congress to require public sector defined benefit pension systems like the City of Fresno Retirement Systems (CFRS) to calculate liabilities using the rate of return on U.S. Treasury bonds. This will raise costs for employees as well as local governments to fund Public pensions and not actually reduce any risks. CFRS is very well funded and shouldn't be forced to report its liabilities as proposed in this legislation.

The Public Employee Pension Transparency Act, (PEPTA) or H.R.6290 was introduced on June 28, 2018 and will artificially inflate any unfunded liabilities of pension systems such as CFRS to much higher levels than what the plans actually face. Most public sector defined benefit pension funds report liabilities against a rate of return assumption which is based on realistic market returns and include a range of possible investments across all markets…not just one.

PEPTA seems to follow past legislation and arguments trying to cast public retirement systems in the worst possible light by subjecting them to arbitrary and unrealistic reporting requirements. This bill will require public retirement systems to calculate their unfunded liabilities using a 30 Year treasury or risk-free rate of investment return. Few investors, least of all an institutional investor with a long-term focus like CFRS, would assume such a low rate of return. However, this is not meant to establish a reasonable assumed rate of investment return; its purpose is to create an artificially low assumed rate of return so that otherwise healthy public retirement systems appear to be in a much worse position financially.

This type of legislation is ultimately designed to force conversion of public sector defined benefit plans like CFRS to using only defined contribution plans. If it happens:

- It would force active members and retirees of the public pension systems to be responsible for managing their own investments and for any losses they might incur as a result of individual plan performance.
- It would also force members and retirees to pay higher fees and costs since smaller individual accounts are much more expensive than larger institutional sized portfolios which take advantage of asset size discounts.
- It could force the City to pay double or more the funding costs of retirement than they are now.

2828 FRESNO STREET ROOM 201 • FRESNO, CALIFORNIA 93721 • (559) 621-7080 • FAX 559 621 7081 • WWW.CFRS-CA.ORG

Rep. Nunes has introduced such legislation in the past and is back again at the urging of paid lobbyists trying to get management of these defined contribution assets since managing them are much more profitable for the financial firms they represent. We are genuinely concerned that as each session of Congress continues to hear this erroneous message and proposed partisan legislation; it might eventually become a reality.

We are further concerned that Rep. Nunes may be alternatively adding elements of his plan hidden in an amendment to legislation under consideration by the Congressional Joint Select Committee on Pensions, which has been meeting to identify a fix for hundreds of seriously underfunded multi-state union pension plans across the nation. These corporate and non-public union pension plans have nothing to do with CFRS or other public sector public pension systems.

Please take few minutes to protect your pension by sending an e-mail, letter and/or make a phone call to

- Representative Nunes' office (https://nunes.house.gov/contactform/) (202) 225-2523 or local (559) 323-5235.
- Members of the Congressional Joint Select Committee on Pensions (https://www.pensions.senate.gov/content/members)

Ask them to please not advance this legislation, or accept any riders or amendments to forward this terribly bad idea.

Some points to consider making:

- Please do not allow Rep. Nunes PEPTA language to be added as an amendment to any legislation proposed by the Joint Select Committee on Multi-Employer Pensions.
- Most public retirement systems are prudently managed and overseen by a board of trustees.
- PEPTA is an unreasonable solution that is not necessary for well-funded public retirement systems. It would simply result in additional costs, administrative burdens and negative publicity for these systems.
- The City of Fresno Retirement Systems are not in financial distress but would be if forced to comply with the unreasonable standard mandated by PEPTA.

Thank you,

Rob Theller
City of Fresno Retirement Systems
2828 Fresno Street, Suite 201
Fresno, CA 93727
(559) 621-7080

MAIL: RETIRE@FRESNO.GOV
WEBSITE: WWW.CFRS-CA.ORG