

GROWING SUPPORT

“An exemplary bill... [That] would help to provide accounting transparency and honesty...”

- Gary Jason, **The American Thinker**

“The transparency bill understands that unobservability lies at the heart of pension problems and tries to make pension costs more obvious to everyone.”

- Edward Glaeser, **The Boston Globe**

“This may be an idea whose time has come. There is rising concern over the state of local government finances...”

- Floyd Norris, **The New York Times**

“Getting states, counties and cities back on a sustainable budget path is primarily their own responsibility. But federal policies can help - or hurt...”

On the helpful side, is a bill that would require all state and local governments to file accurate annual reports of their pension liabilities with the Treasury Department.”

- **Washington Post Editorial.**

“Government transparency is not, or at least should not be, a partisan issue.”

- **The Washington Examiner.**

“The nation’s menu of crises caused by governmental malpractice may soon include states coming to Congress as mendicants, seeking relief from the consequences of their choices. Congress should forestall this by passing a bill with explosive potential.

Nunes’ bill would not traduce any state’s sovereignty: Each would retain the right not to comply, choosing to forfeit access to the federally subsidized borrowing that facilitated their slide into trouble.”

- **George Will, The Washington Post.**

Endorsements:

Americans for Limited Government, Americans for Prosperity, Americans for Tax Reform, American Conservative Union, Citizens Against Government Waste, National Taxpayers Union, U.S. Chamber of Commerce.

U.S. REP. DEVIN NUNES

113 North Church Street
Suite 208

Visalia, CA 93291
559-733-3861

1013 Longworth
House Office Building
Washington, DC 20515
202-225-2523

264 Clovis Avenue
Suite 206
Clovis, CA 93612
559-323-5235

www.nunes.house.gov

PUBLIC PENSION REFORM

TRANSPARENCY
&
NO BAILOUTS



**Congressman
Devin Nunes**

“The day of reckoning is not as far away as some might imagine...”

PUBLIC PENSION
TRANSPARENCY
DETAILS

PUBLIC PENSION CRISIS
(year of funding exhaustion by state)

OKLAHOMA	2017	CALIFORNIA	2026
LOUISIANA	2017	ARIZONA	2026
ILLINOIS	2018	WYOMING	2026
NEW JERSEY	2018	NEBRASKA	2027
CONNECTICUT	2018	IDAHO	2028
ARKANSAS	2019	VIRGINIA	2028
W. VIRGINIA	2019	WASHINGTON	2028
KENTUCKY	2020	ALASKA	2028
HAWAII	2020	TEXAS	2029
INDIANA	2020	WISCONSIN	2030
COLORADO	2021	OREGON	2030
MISSOURI	2021	NEVADA	2030
MISSISSIPPI	2021	GEORGIA	2032
NEW HAMPSHIRE	2021	IOWA	2032
KANSAS	2021	TENNESSEE	2032
OHIO	2023	FLORIDA	2033
RHODE ISLAND	2023	NORTH DAKOTA	2033
ALABAMA	2023	NEW YORK	2034
NEW MEXICO	2023	SOUTH DAKOTA	2035
MARYLAND	2023	DELAWARE	2040
PENNSYLVANIA	2023	UTAH	2042
MICHIGAN	2023	NORTH CAROLINA	N/A
VERMONT	2023		
MAINE	2024		
MINNESOTA	2024		
MASSACHUSETTS	2024		
SOUTH CAROLINA	2025		
MONTANA	2025		

** Based on the work of Professors Robert Novy-Marx and Joshua D. Rauh, "Public Pension Promises: How Big Are They and What Are They Worth?"*

WHAT DOES THE PUBLIC EMPLOYEE PENSION TRANSPARENCY ACT DO?

Public disclosure of pension liabilities

State and local pension plans will report two sets of information to the Secretary of the Treasury which will be made available on the internet for public review.

The first set of numbers will detail current public pension liabilities based on existing accounting methods - methods largely determined by the pension plan itself. The methods and assumptions used in this first set of numbers will also be reported.

The second set of numbers will detail the current pension liabilities but will do so using uniform guidelines. Those guidelines will include more realistic discount rates, as well as controls to assure assets are counted using a reasonable estimate of fair market value.

Failure to be transparent

State and local governments that refuse to report their public pension liabilities will be denied the ability to issue federally tax-exempt bonds. Federal subsidies of state and local debt would remain unavailable until those entities comply with public pension transparency rules.

No bailouts

State and local government leaders and employee unions are already talking about the possibility of a federal bailout of their pension programs. Congress must preempt this effort by making a clear policy statement that the American taxpayer will not bailout state and local governments that have recklessly promised unaffordable benefits to their workers.

Throughout the country, pension and public finance experts are sounding the alarm about the approaching insolvency of state and local retirement plans.

Professor Joshua Rauh of Northwestern University's acclaimed Kellogg School of Management said in a March 2010 commentary that "the day of reckoning is in fact not as far away as some might imagine."

In fact, according to recently released data we now know that ten states including Arkansas, Connecticut, Hawaii, Illinois, Indiana, Kentucky, Louisiana, New Jersey, Oklahoma, and West Virginia, will have exhausted their pension funding by 2020.

These insolvency dates are based on generous assumptions concerning the performance of pension plans and are likely the "best case scenario." Yet, despite this alarming information state and local governments continue to use accounting gimmicks to avoid making difficult decisions.

THE FACTS

27 million Americans and counting

Currently there are seven million retirees receiving benefits from state and local government pension plans. An additional twenty million Americans have been promised these benefits.

Trillions in red ink

The Pew Center on the States estimates that state pension, health care and other retirement benefit plans are underfunded by \$1 trillion. The Stanford Institute for Economy Policy Research estimates \$3 trillion. Experts at the University of Chicago and Northwestern's Kellogg School of Management have estimated \$3.23 trillion.

Facts hidden from the public

There currently is a lack of meaningful disclosure regarding the value of state and local pension plan assets and liabilities, impairing the ability of taxpayers to understand the financial obligations of their government.

Without change, plans go broke soon

Ten states run out of pension money by 2020, all but eight by 2030. The time for honesty is now.