Supporting Retirement Security for America's Teachers

# NATIONAL COUNCIL ON TEACHER RETIREMENT




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March 11, 2014

Robert H. Campbell
Chairman, Board of Directors
The Pew Charitable Trusts
One Commerce Square
2005 Market Street, Suite 2800
Philadelphia, PA 19103-7077

Dear Mr. Campbell:

I am writing concerning the Pew Charitable Trusts' Center on the States and its "Public Sector Retirement Systems Project."

Specifically, I am very troubled by the involvement, both in terms of funding and actual hands-on participation, of the Laura and John Arnold Foundation, with whom I understand Pew has partnered and from whom I understand it has accepted a grant of $4.85 million.

The Pew Center on the States represents that its Public Sector Retirement Systems Project "provides cutting-edge research on the fiscal challenges state and cities face as a result of their pension and retiree health promises." Furthermore, your website explains that "With the understanding that there is no one-size-fits-all solution, the project also offers technical assistance to states and municipalities as they undertake pension and retiree health care reforms to ensure their public sector retirement systems are affordable and sustainable, provide a secure retirement for workers, and preserve governments' ability to recruit and retain a talented public-sector workforce."

This is a laudable goal, as stated, and the National Council on Teacher Retirement (NCTR) would commend you for your research and technical support efforts, if that were a true representation of what is actually taking place.

Regrettably, it is not.

In fact, by partnering with a clear advocate of a specific point of view as to the retirement security challenges confronting state and local governments, Pew has abandoned its objectivity in this matter and has adopted that very same viewpoint. In doing so, it would appear that Pew may also have failed to make it adequately clear to the state and local governments with whom it works on pension issues that Pew is not an unbiased source of research and technical support; but that, despite its representations that it does not support a one-size-fits-all solution, Pew is, instead, an advocate of a very specific agenda.

That agenda, as formulated by the Arnold Foundation and apparently adopted by Pew, is clearly stated in the Arnold Foundation's paper entitled *Creating a New Public Pension System*: "The way to create a sound, sustainable and fair retirement savings program is to stop promising a benefit and instead promise an accrual or savings rate." In case this is not clear enough, the paper goes on to explain that "This would mean that instead of committing to a fixed percentage of final average salary after a specified number of years of service, the employer would instead commit to contributing a fixed percentage of salary for every year worked."

In short, the traditional defined benefit model is to be abandoned, according to the Arnold Foundation. Period. In the Foundation's perspective, the DB approach is bankrupting cities and states, cannot be adequately reformed, and is not worth keeping. In its place, the Arnold Foundation proposes either a defined contribution model as its first choice, or a cash balance plan as its second.

This has also apparently become the Pew agenda as well. For example, I find it informative that in every case of which I am aware, when Pew has worked with a state on pension reform, the solution has been to abandon the DB model and to adopt a cash balance approach.

The Pew Charitable Trusts' Mission Statement declares that it is "driven by the power of knowledge to solve today's most challenging problems," and that "Pew applies a rigorous, analytical approach to improve public policy, inform the public and stimulate civic life." Furthermore, it states that "When the facts are clear, we and our partners advocate for practical reforms…"

I would suggest that you are falling short of this in your partnership efforts with the Arnold Foundation. To date, as I noted earlier, Pew's recommendations in the states where you have been involved have been in lockstep with the Arnold agenda. This reflects, I believe, a pre-conceived view of what Pew acknowledges to be a very complex area that does not lend itself to cookie-cutter solutions. Yet that is exactly what Pew, with the support of the Arnold Foundation, consistently offers: a cookie-cutter, dump-DB-adopt-cash-balance fix for whatever ails you.

This does a serious disservice to what should be, in Pew's own words, a "thoughtful debate" that gives policymakers "the data and analysis they need to make public sector benefit systems fair, affordable, and fiscally sustainable." To enter every discussion of reform with the preconceived conclusion that a DB model cannot meet these requirements is clear evidence to me that the well-intended Pew effort has been compromised by the Arnold Foundation's political agenda.

NCTR believes this partnership between the Arnold Foundation and Pew, and the accompanying multi-million dollar grant, represents the very kind of "ethical compromise in funding arrangements and lack of real transparency" to which the PBS Ombudsman, Michael Getler, was referring when he wrote about the recent acceptance of $3.5 million in Arnold Foundation money to fund a two-year news series ominously entitled "The Pension Peril," produced by Public Broadcasting Service's flagship station, WNET.

As Mr. Getler rightly noted, "there is clearly a danger of hard-to-prove self-censorship by PBS-related producers somewhere along the line when large funders with political agendas wind up as big-money supporters of public broadcasting." This same potential applies to the arrangement between Pew and the Arnold Foundation; and I fear that the experience to date with the results of this partnership in a number of states demonstrates that Pew's objectivity, commitment to the facts, and to a "rigorous" analytical approach to problem-solving has been called into question.

Whether in fact this kind of "self-censorship" or compromise in views has occurred, the perception is that it could. It would indeed be hard to prove, but I think the results of the partnership speak for themselves.

Therefore, on behalf of the National Council on Teacher Retirement, of which I am the Executive Director, and the 68 state, territorial, and local pension systems serving more than 19 million active and retired teachers, non-teaching personnel, and other public employees which we represent, I respectfully ask that the Pew Charitable Trusts follow the lead of

WNET and PBS: return the Arnold Foundation $4.85 million grant and formally renounce your partnership with them.

WNET did so in order to eliminate any perception on the part of the public that the Arnold Foundation's interests influenced their editorial integrity. For the sake of the high degree of respect in which the work of the Pew Charitable Trusts is generally held, I urge you to do the same as soon as is possible.

Sincerely,

Meredith Williams
Executive Director

cc: Rebecca W. Rimel, President & CEO, The Pew Charitable Trusts
Susan K. Urahn, Managing Director, Pew Center on the States
Greg Mennis, Director, Public Sector Retirement Systems Project, Pew Center on the States
Thomas K. Lee, NCTR President; Executive Director/CIO, New York STRS