



AN UPDATE FROM WASHINGTON



Washington Update

- **Public Sector Retirement Issues**
 - Puerto Rico Financial Crisis – Congressional Response
 - Public Employee Pension Transparency Act (PEPTA)
 - Annuity Accumulation Plan
 - Equal Treatment of Public Servants Act (WEP)
 - Dold Amendment (H.R. 5427)
 - Normal Retirement Age
 - Definition of Government Employees

Washington Update cont.

- **Retirement Security**
 - DOL Fiduciary Rule
 - DOL Rules of State-Run Retirement Programs
 - Senate Finance Committee Pension Bills
- **Social Security COLA – Medicare Part B**
- **The Election**
 - Clinton vs. Trump
 - The Senate Majority
 - The House of Representatives

Public Retirement Threats

The Anti-Defined Benefit Message –

- The cost of current DB plans is unsustainable;
- Plan liabilities are calculated using unrealistically high investment return assumptions and therefore systematically understate the cost of current pension promises; and
- Public employees should be afraid of “unrealistic and unaffordable pension promises.”
- A request for a Federal bailout is inevitable

Actuarial Standards Board – New Solvency Test

Puerto Rico

- Hatch – Annuity Accumulation Plan and PEPTA
- Pension Provisions – Puerto Rico or all public plans
- PROMESA – No national provisions
- Oversight Board Membership
 - Arthur Gonzales -D
 - Jose Ramon -D
 - Ana Matosantos -D
 - Carlos Garcia -R
 - **Andrew Biggs -R**
 - David Skeel - R
 - Jose Carrion, III - R

Annuity Accumulation Plan

Senator Orrin Hatch (R-UT)

- Sponsor “may” establish annuity accumulation plans
- Existing DB plans remains as a closed plan – cost would increase; doesn’ t address existing liabilities
- Individual/group* deferred fixed annuity contracts may be purchased not less frequently than every five* years
- Employer may or may not contribute
- No employee contributions allowed
- No survivor* or disability benefits

Not introduced in the current Congress, but...

Public Employee Pension Transparency Act (H.R. 4822)

Congressman Devin Nunes (R-CA)

- State and local reporting to Treasury - First time in history
- “Voluntary” but... failure to comply = No Federal tax-exempt bonds
- Annual reports to Treasury
- Two sets of numbers: current assumed rate and supplement based on Treasury obligation yield curve
- Prohibits Federal bail-out of public pension debt
- 51 Co-sponsors in 2011 – 8 Co-sponsors in 2016

H.R. 711 Equal Treatment for Public Servants Act

- Bipartisan WEP Repeal/Replace (Brady-Neal)
- Replaces arbitrary formula with actual earnings based formula
- Pending Amendment
 - Deletes Enhanced Enforcement Requirements
 - New Retirees after – Average reduction 30% less (+/-)
 - Current Retirees – Rebate of 15% for first 10 years; 50% thereafter
- Cost-neutral – winners and losers
- Now or never? Current challenges...

The Dold Amendment

Congressman Robert Dold (R-IL)

- Limit the use of Federal Title 1 funds for teacher pensions
- Limit pension funding to normal cost
- Dold argues this would prevent states from using Federal dollars to bailout State pension plans
- Defeated in 2015; new pressure this year
- Includes a 50% funded measurement

Retirement Regulations

- **Treasury Department/IRS**
 - Normal Retirement Age
 - Definition of a Governmental Plan
- **Department of Labor**
 - Fiduciary Rule
 - State-Run Retirement Programs
 - Political Subdivision-Run Retirement Programs

Social Security COLA – Medicare Part B

- .03% Social Security COLA in 2017
- Hold harmless provision for most Medicare recipients
- 2016 ‘fix’ in Bipartisan Budget Act of 2016
- 2016 BBA solution only applies for 0.0% COLA
- Projected premium increase from \$121 to \$149
- Projected Part B deductible increase from \$166 to \$204
- 75 Organizations wrote on September 27th
- Priority issue for lame-duck Congressional session

The Election

- Clinton – Trump
- The Senate Majority
- The House of Representatives

Clinton - Trump

■ Clinton

- Support for retirement security
- Social Security expansion
- Generally friendly regulators

■ Trump

- Questionable business record re retirement benefits
- Mixed Social Security message
- Unfriendly regulators (especially at DOL)

The Senate Majority

- Do Republicans lose control?
- Where are the battles (*Illinois and Wisconsin*)
 - Nevada
 - New Hampshire
 - Pennsylvania
 - North Carolina
 - Indiana
 - Missouri
- Does it matter?

House of Representatives

- Is the Majority at Risk?
- Is Speaker Ryan at Risk?
 - The influence of the Freedom Caucus
- The House Agenda – “A Better Way”
 - Tax Reform
 - National Security
 - Health Care
 - Poverty
 - Cutting Regulations
 - Reasserting Congressional Authority

Your Critical Role

- Maintain the trust and confidence of your members and their employers
- Be proactive – don't wait until the battle is on your doorstep
- Education is key – establish the facts
- Define the real problem... retirement security
- Respond when necessary

Questions

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