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House Introduces Public Employee Pension Transparency Act Bill.

On March 22, Devin Nunes (CA-22) introduced the Public Employee Pension Transparency Act (PEPTA), HR 4822. This legislation is identical to previously proposed and ultimately unsuccessful versions of PEPTA introduced in the last two sessions of Congress. The act would require sponsors of state and local defined benefit plans to report plan liabilities to the Secretary of the Treasury annually in order to retain their federal tax-exempt bond status. It would also require supplementary reports restating these liabilities, using a so-called "risk-free" assumed rate of return. The data would then be entered into a federal database that would be accessible to the public. Finally, the bill makes it explicitly clear that public pension obligations are the responsibility of state and local governments and that the federal government will not provide a bailout. GFOA opposes this measure and any imposition of federally mandated disclosure and reporting on state and local pension plans.

This proposed expansion of the existing reporting and disclosure requirements would add significant reporting burden to state and local plans, possibly doubling the effort and cost of the current reporting requirements. A small number of well-known jurisdictions have severe pension funding problems, but transparent data resources such as the Public Plan Database ensure that these jurisdictions' shortfalls are well-known and understood under the current reporting and disclosure requirements. In addition, PEPTA requires the creation of a new federal bureaucracy that would gather, process, and verify the information for the nation's 2,550 state and local pension plans.

Adding another calculation to public pension plans' disclosure efforts is not only burdensome but misleading. Significant additional and irrelevant reporting requirements will not correct funding issues. Adding a new number to the reporting and disclosure efforts of the Governmental Accounting Standards Board, Actuarial Standards Board, and credit ratings agencies could also impede appropriate funding decisions by causing policymakers to misunderstand the level of contributions required.

GFOA, along with other Public Pension Network members representing both state and local governments and retirement systems, will continue to educate members of Congress about the true fiscal condition of public pension systems, along with considering the extent to which proposed initiatives support flexibility in providing retirement security to public sector employees and opposing congressional proposals to undermine state and local government authority to effectively govern and finance their pension plans. Please stay tuned for a resource page on GFOA's federal relations page with materials and information you can use in reaching out to your elected officials.

GFOA

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