

Memo

From the House Appropriations Committee (D)



TO: House Democratic Members and Interested Parties

FROM: Rep. Joseph Markosek, Chairman

SUBJECT: Urban Institute's Pension Report

DATE: Sept. 29, 2014

The Urban Institute recently released a [report](#) entitled, "Assessing Pension Benefits Paid under Pennsylvania's State Employees' Retirement System". The report attempts to project the retirement benefits that will be provided to short and long-term employees based on age, when they were hired and how long they work. The authors recommend that SERS transition from a defined benefit plan to a hybrid or cash balance plan in order to increase benefits for employees who separate from state service early.

The assumptions applied in the report are not fully vetted and do not provide enough context to draw valid conclusions about the positive or negative aspects of either defined contribution or defined benefit plans. **Additionally, please note that the Urban Institute report was funded by Pew Charitable Trusts. Both organizations receive funding from the Laura and John Arnold Foundation related to pension information; therefore, we were not surprised the authors recommended for Pennsylvania to abandon its defined benefit plan.** In 2013/14, the Urban Institute accepted [\\$484,079 in grants from the Laura and John Arnold Foundation](#) to "expand access to information about public sector retirement systems".

The Arnold Foundation's involvement in the public pension debate across the country has been questioned in several news articles. (See below.) **With ongoing debate about the Arnold Foundation's public pension agenda, we are very cautious about using information as sources from organizations that accept funding from the foundation.**

➤ [Billionaire Arnold's Pension Push Makes Him Workers' Bane](#), *Bloomberg Businessweek*, Aug. 22, 2014

This article tells the story of how lawmakers in Kentucky decided to cut retirement benefits for newly hired workers and switch to a cash balance plan, per recommendations from Pew Charitable Trusts, and are still dealing with large unfunded liabilities. It also says that the Arnold Foundation is pushing for pension changes in 30 cities and states across the country and have invested about \$12 million in the debate since 2008.

➤ [NCTR urges Pew to cut ties with Arnold Foundation](#), *Pensions & Investments*, March 11, 2014

This article covers the call from the National Council on Teacher Retirement (NCTR) for the Pew Charitable Trusts to cut ties with the Arnold Foundation, claiming that "Pew has abandoned its objectivity". NCTR claims that the Arnold Foundation is "advocating abandonment of traditional defined benefit plans in favor of defined contribution or cash balance plans".

➤ [WNET to Return \\$3.5 Million Grant for Pension Series](#), *The New York Times*, Feb. 14, 2014

This article talks about how WNET, New York City public television, returned a \$3.5 million grant from the Arnold Foundation to do a series on public pensions after questions arose about the funding arrangement and the foundation's public pension agenda.

➤ [The Wolf of Sesame Street: Revealing the secret corruption inside PBS's news division](#), *PandoDaily*, Feb. 12, 2014

This article covers in more detail PBS's failure to disclose that former Enron trader, John Arnold, was financing their planned segment entitled "The Pension Peril". The article also provides more details on the Arnold Foundation's "campaign aimed at slashing public employees' retirement benefits".