How do we counteract the single most serious threat to the continuation of our defined benefit pensions?

Attacks on Our Pension Plans
Using Bogus Paid-For “Research” – Whose Behind It and How to Counter It

John Jensen
Organizing

ORG338

Competency progression levels 1, 2 and 3.

Themes

- By the end of this presentation, the learner will be know how to prepare affiliate leadership and staff to be able to identify early warning signs of an impending pension threat.

- By the end of this presentation, the learner know who can help create a coalition to fight an impending pension attack.

- By the end of this presentation, the learner will be able to create an outline of what to do in case of an impending pension threat.
• May 2012, just over 4 years ago a 38 year old hedge fund CEO from Houston, Texas retired.

• He was the third richest person in Houston and the second youngest billionaire in the United States.
• He is a Democrat who gave money to the Obama campaign.
• He gave lots of money to Wendy Davis when she ran for Governor of Texas

What’s not to like?
• He was raised in an upper middle-class family in Dallas, Texas. In 1995 he went to work at Enron as a natural gas analyst. In 1996, he was an executive trading natural gas for Enron and in 2001 he received an $8 million dollar bonus.
Two weeks later Enron collapsed and while thousands of Enron retirees and workers lost 100% of their pensions, he took his $8 million and started a hedge fund that traded natural gas.

In just 10 years, he was worth over $3.5 billion dollars and he retired!
• He is John Arnold.
• Don’t worry if he is new to you. He has not gone into all states.

Not yet anyway.
John Arnold and his wife, Laura, when he retired at 38
We should have urged him to NOT retire.
• I will concentrate what he has done and is doing to our public employee defined benefit pension plans in the United States.

• It’s not good.

• He spends millions to kill-off our DB plans.

• I will also attempt to give you some tools to use to counter and defeat John Arnold WHEN he heads to your state.
• Arnold, portrays himself as a seeker of the **truth** who believes that the "**broken pension systems**" threaten the very future of the nation.

• So not only is he spending **serious money** going after our Defined Benefit pensions, he **seriously on a mission**.
• And that makes him dangerous.

Seriously dangerous.
Arnold doles out millions in two ways:

- Grants from the *Laura and John Arnold Foundation* – a 501 c3 for “research” and “education”.

- Grants from his *Action Now Initiative* – a 501 c4 for backing political issues and candidates
Let’s take a look at some of his efforts. Almost none of his efforts are direct. Rather he usually chooses indirect, under the radar methods.
Up to this point, John Arnold has a clear agenda to replace the current DB model with a DC approach or a cash balance plan.

**Quiz time!**

Can you define a “DC” scheme?

Can you define a “Cash Balance” scheme?
Arnold partnered with the PEW Charitable Trusts early on and met with early success. Arnold and PEW are apparently now **permanently joined at the hip**. Since the PEW Charitable Trusts has for years, carried with it an aura or trust.

**That trust bought and paid for by John and Laura Arnold!**
PEW has received over $9 million from Arnold’s Foundation. In the world of Billionaires, that is pocket change that *bought* the good name of PEW.
It does not end with PEW. $3.5 million bought PBS when it’s New York affiliate produced several episodes of an anti-public pension series – until David Sirota exposed the Arnold Foundation as the funding source. The $3.5 million was returned.
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Big bird, how could you???
Same thing with the **Brookings Institute**. Only the Brookings Institute kept the money and works closely with Arnold today.

And I always looked up to the Brookings Institute as a think tank I could trust.

**No more!**
Same thing with the Urban Institute. It still receives Arnold’s Payola.

And I thought the Urban Institute was trustworthy.
John Arnold has discovered that one multi-billionaire can with just $50 million doled out over 4 years can radically change the safety and security of public pensions in America.

I am sure he sees it as a bargain.
For many states, Arnold’s *modus operandi* is simple:

Send PEW into a state that is talking about pension “reform” and offer the state legislature (often through a separate state based group) a FREE study on how best to reform the DB plan. Of course, Arnold’s Foundation provided the money for this “free” study.

The outcome is almost always, put all new hires into a DC scheme or cash balance scheme.
This is exactly what happened in Kentucky. The Pew Charitable Trusts came to the Kentucky legislature in 2013 and offered to fund a study to make recommendations to “modernize” the state pension plan for public workers.

Result: a cash balance plan for new hires and no more automatic COLAs.

The Laura and John Arnold Foundation provided the funding!
• Here is part of an amazing June 2013 letter from ten Kentucky state legislators to their colleagues in other states warning how Pew and Arnold had duped Kentucky legislators.

• “Pew has a reputation as a non-partisan organization, but that standing is tarnished by Pew’s pension scheme and its unholy alliance with the Arnold Foundation – a group committed to eliminating public pensions.”

• “What their PowerPoints and ‘experts’ don’t tell you is that their cash balance plan does nothing to reduce any unfunded liability... In fact, for many states, the cash balance plan will incur additional costs.”
Those legislators wrote: “their cash balance plan does nothing to reduce any unfunded liability... In fact, for many states, the cash balance plan will incur additional costs.”

Lesson: Why this is true.

1. The unfunded liability does not go away!
2. There will be additional costs!
Recently, the Alabama Policy Institute released a report that recommended that Alabama switch from its DB model to a cash balance plan. The Arnold Foundation had given the Alabama Policy Institute over $100,000 to “support educational efforts related to public employee benefits reform in Alabama.” What a bargain for John Arnold!
In Rhode Island, Arnold used his 501 c3 to fund a state study, his 501 c4 to fund a lobbying campaign to pass a very bad pension bill and he gave funds to the state treasurer who then ran for Governor.

She is Gina Raimondo and she won the election with 41% of the vote, in a three-way race in 2014.

BTW, she is a Democrat.
• Arnold funds numerous “studies”.
• Here is just one example – an Urban Institute “study”

Negative Returns: How State Pensions Shortchange Teachers An Urban Institute “Study”

Author Richard W. Johnson

Funded by the Arnold Foundation

Author Chad Aldeman

Funded by Bellwether Education Partners

Funded by the Arnold Foundation

Funded by the Arnold Foundation
Another example:

Economic Intelligence
Insights, perspectives and commentary on the economy.

The Hidden Bill Young Teachers Pay
Young teachers lose out because they’re paying for the retirement of those who came before them.
America's Bankrupt Schools

Pension plans could be the culprit behind broke big-city school districts.

By LAUREN CAMERA | March 18, 2016
"Pensions are one of the most untold stories of why this is happening," says Chad Aldeman, an associate partner at Bellwether Education Partners, an education policy organization in Washington."
Example of the deception:
The Pension Problem in Recruiting New STEM Teachers
TeacherPensions.org, Max Marchitello, August 8, 2016

Premise: Schools can’t hire enough STEM teachers because they will get a DB pension.
1. The person switching careers from the private sector to become a teacher likely already has a 401(k) plan;
2. The new teacher pension will be a defined benefit (DB) plan and will “take a long time to accrue wealth;”
Example of the deception: (continued)

3. In the meantime, the 401(k) from the previous career “will have grown only through interest” while teaching;

4. because these individuals will have two separate retirement saving plans, they will be unlikely to realize the full benefits of either; and, therefore,

5. teachers who have “years of professional experience in the field” will not only have taken a significant pay cut but will “have their retirement benefits slashed” by leaving a STEM job and starting a second career as a STEM teacher.
“...this calculation [unfunded liabilities] rests on very dubious assumptions that the annual investment earnings of these funds will be as high as 8 percent annually.”

“If the investment returns are closer to reality, say, 3 percent per year, the $1 trillion liability rises to $4.83 trillion, an average of $41,219 per household.”
McGee is a senior fellow at the Manhattan Institute and vice president of public accountability at the Laura and John Arnold Foundation.
Example: Pension Incentives and Teacher Retention

*EducationNext*, Cory Koedel, October 3, 2016

Example: New [ALEC](#) Report Puts Public Pension Unfunded Liabilities at $5.6 Trillion;

Example: [WSJ](#) puts the number in the QUADRILLIONS of Dollars!

*NCTR*, Leigh Snell, October 16, 2016
Example: Las Vegas opinion influenced by Arnold

**Teacher pension system needs reform**

Example: *The Dallas Public Pension Crisis:*

**A Warning for Cities Across Texas**
Laura and John Arnold Foundation, Josh McGee and Paulina S. Diaz Aguirre, October 2016

Example: *Teacher pensions have a math problem*


*adjunct fellow, American Enterprise Institute* and director of education policy at **the Show-Me Institute, in Missouri**
Here is a very dangerous example: Arnold Funded Report Critical of Public Pensions’ “Risky Investments” Presented to NCSL Conference.

The report is the first produced by the Nelson A. Rockefeller Institute of Government’s Pension Simulation Project (The public policy research arm of the State University of New York!), which is supported by the Laura and John Arnold Foundation and the Pew Charitable Trusts.

Both NCSL and the Rockefeller Institute have been well regarded – at least up to this point.
I could go on for a long time on what Arnold has done with not a whole lot of $. To speed things up, following are headlines of posts by Leigh Snell on his blog for the National Council on Teacher Retirement’s (NCTR).

His posts are a wonderful resource: http://www.nctr.org/federal-government-relations/blog-login/

You will have to request a password from Leigh. Tell him your leadership position in the NEA and that I said you were OK.
Leigh’s NCTR Blog has a great set of archived blog posts on what John Arnold has been up to. It is a definite must see.

Here one of his post’s title:

- Dec. 1, 2015

Arnold Foundation’s Josh McGee Named to Texas State Pension Review Board

YIKES!
National Groups Receiving Arnold $ Since 2014 – A Partial List

• American Institutes for Research in the Behavioral Sciences
• Bellwether Education Partners, Inc.
• Brookings Institution
• Federalist Society for Law and Public Policy Studies
• George Mason University Foundation, Inc.
National Groups Receiving Arnold $ Since 2014 (continued)

• National Council on Teacher Quality
• Pew Charitable Trusts
• Reason Foundation
• StudentFirst Institute
• Thomas B. Fordham Institute
• Urban Institute
If Arnold’s money influence has not visited your state – are you next?

Don’t bury your head in the sand.

Be ready!
What to do.

Educate yourself.

• Make sure your leaders and as many members as possible, understand the threats.

• This includes becoming VERY familiar with everything available on three websites:
What to do.

Educate yourself.

• Go to NIRS (National Institute on Retirement Security) nirsonline.org

• This website has a WEALTH of valuable and legitimate research such as:

• Still a Better Bang for the Buck: Update on the Economic Efficiencies of Pensions finds that pension plans are a far more cost-effective means of providing retirement income as compared to individual defined contribution accounts.
What to do.
Educate yourself.

• Go to NPPC (National Public Pension Coalition)

protectpensions.org

• NPPC is funded by NEA and most other public employee unions.
• NPPC has helped numerous states with both funding and expertise.
• Contact NEA CB & MA to get NPPC involved.
• NPPC is a MUST HAVE.
What to do.
Educate yourself.

• *The Truth About John Arnold* is a project sponsored by the NPPC and Californians for Retirement Security. It is a great resource:

  [truthaboutjohnarnold.com](http://truthaboutjohnarnold.com)

  • There is also a Facebook group called:
    • *The Truth About John Arnold*
    • Please go there and “LIKE” it.
What to do.

Be very vigilant.

Be aware of any calls for a study of the pension plans.

Be on high alert if any group offers to conduct the study at no cost to the state. Pew/Arnold are probably behind this effort (either directly or more likely indirectly).
What to do. If you find Arnold is involved, call him out and make it personal. Ask your legislators, the press and the public:

- Why should we listen to an out-of-state billionaire?
- Why should we listen to a former ENRON Exec who got an $8 million “bonus” just weeks before ENRON collapsed?
- Why is he so secretive?
- Where is the transparency?
- What does he have to hide?
- Be very cautious about using information as sources from organizations that accept funding from the Arnold foundation.
What to do.

• Have school employees to speak out early and strongly against the corroding influence of the Arnold Foundation’s millions of dollars spent to support their surrogates such as Pew and the Urban Institute.

• Ask the public and the legislature:

  “Don’t you want your kindergarten teacher’s to have a secure retirement?”
What to do.

• Learn about and understand the bogus theory of “Financial Economics” that artificially inflates a pension fund’s unfunded liabilities.

  *Does anyone here know why “Financial Economics” will artificially inflate pension fund unfunded liabilities?*

• Learn about and understand what the “discount rate” means.

  *Does anyone here know what the “discount rate” means?*

• You should always try to find out what discount rate was used in any “study” of your pension plan.
Session Outcomes

- The content from this session can be used in the following ways in your current position/role:
  - You are more knowledgeable about John Arnold’s tactics and strategies to undermine our public pension plans
  - You are more aware of where to go to obtain help
  - You will advocate by becoming an expert and a go-to person in protecting your pension
  - You will advocate by educating leaders in your state affiliate
  - You will advocate by staying vigilant
Questions!