

Defined Benefit Defense

- **Hotspots**—Identify Targets (Pension systems w/ unfunded liabilities @ 70%); Form Local Public-Sector Union Coalitions; Know Political/Legislative Landscape.
- **Developing a Message**—Conduct Early Polls and Focus Groups in DB Targets. Get coalition to fund.
- **Media Coverage and Images:** Stay on Message, Rapid Response to Attacks; Train spokespeople
- **Resources:** Pension Trustees; Pro-DB & Anti-DB web sites; Public sector workers who poll high.

DB Hotspots

- **Colorado:** CO PERA backs two-tiered DB plan; Gov. Owens (R) backs DC switch for new workers & change Board structure; Proposed ballot measure goes beyond Governor's plan to rollback current benefits.
- **New Jersey:** Task force has recommended changes to DB plan. Opportunity to work with new Gov. Corzine.
- **Michigan:** Contract negotiations at county and city level across the state include DB reform and switch to DC plan.
- **San Diego:** Looming financial crisis. New mayor has plan for DC hybrid plan. But first is pushing ballot measures to outsource public jobs and rein in pension benefits.

Forming Public Union Coalitions

- **California:** Use successful model for building pension coalition: consensus decisions, financial buy-in from unions, in kind staff support, hire consultants, Conduct polling/focus groups.
- **Colorado:** Coalition formed: Financial buy-in; In-kind support; Polling/Focus Groups ramping up.
- **New Jersey:** Coalition is forming; AFSCME Polling Center preparing a poll.
- **San Diego:** No public sector coalition; AFSCME Polling Ctr conducted poll; Developed Message; Fighting mayor's ballot measures at city council.

Using Polls and Focus Groups to Stay on Message

- **Traditional Pensions Provide Secure Retirement**
- **Investment returns cover large portion of retiree pension obligations**
- **Average DB plans outperform DC plans by at least 50% over the course of a career**
- **Pension plans guarantee survivor benefits**
- **Huge fees in DC plans line pockets of Wall Street and pick pockets of retirees**
- **Many public employees don't have social security—pensions are only security**

Media Coverage on Pension Crisis Ups the Ante

- **Opposition has clear message and image of a PENSION TSUNAMI**
 - ❖ Increase cost to taxpayers in millions of \$\$
 - ❖ Focus on funds at 25+% unfunded liabilities
 - ❖ Aging workforce and demographic change
 - ❖ Force budget cuts to schools, roads, public safety and other popular programs
 - ❖ Create myth that public employees wages and benefits surpass private sector

TIME



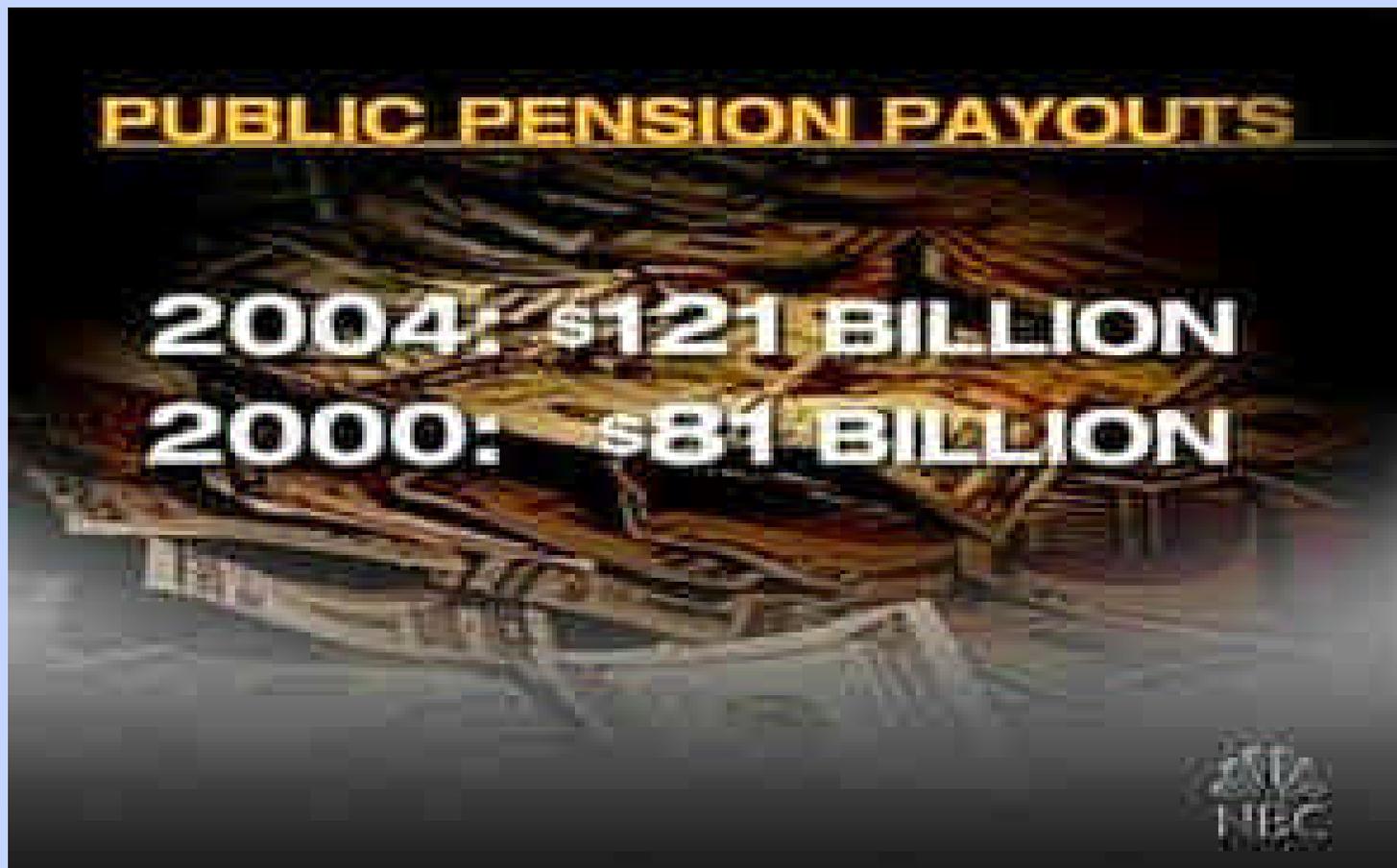
THE GREAT RETIREMENT RIP-OFF

THE GREAT
RETIREMENT
RIP-OFF

The pension funding sinkhole

Nov. 21: Pensions are swallowing community budgets, thanks to underfunding, poor investment returns and the growing number of retirees. NBC's Kevin Tibbles reports.

Launch



Are Pension Cuts Snuffing Out Workers' Dreams?

February 18, 2006

- ***"I'm afraid that the things that I had dreamed about, the things that I had hoped for, the things that I taught my children, are gone,"—Margo Bryerton, 17-year veteran Verizon employee.***
- Millions of Americans may end up facing the same dilemma as Bryerton. Those most at risk are the salaried employees at the companies cutting pensions — especially those in their 40s and 50s.

Rising Public Concern About Corporate Decisions to Eliminate Pensions for Private Sector Workers.

Media Coverage Begins to have an Effect on Opinion



Bush Reminds Companies of Pension Promises

By DEB RIECHMANN--AP
December 5, 2005

President Bush speaks about the economy at the Deere-Hitachi Construction Corp. plant in Kenersville, N.C. Bush, seeking to calm Americans' anxieties about the economy, is trying to prod U.S companies to live up to their pension promises to workers.

❑ ***“my message to corporate America is: You need to fulfill your promises.” I'm not going to sign a bill that weakens pension funding for the American workers,”*** Bush said.

➤ **AFSCME Jan 2006 Poll in San Diego found 80% believed corporations should keep their pension promise and care more about executive perks and bonuses than workers’ pensions.**

Participate in Media Strategy

- **Track state/local news**
 - ❖ Check Pension Tsunami and pro-DB websites
- **Write op-eds with pro-DB message**
- **Attend pro-DB media events**
- **Have Coalition Ready to Respond to DC articles/editorials with letter to ed/op-ed**

NOT A WELL THOUGHT OUT PLAN

- What happens if people lose money under the DC plan? Who helps them when their retirement savings run out?
 - Increased cost of running two Systems. Won't solve the State's fiscal crisis.
 - Makes it even harder to attract and retain skilled employees.
 - It's like shredding people's safety net – savers will have to support spenders.
 - Sure, people are being given a choice – whether to get burned a little or a lot.
 - Employee Benefit Retirement Institute says we will already have a \$45 billion gap in retirement by 2030.

DB WORKS SURPRISINGLY WELL

- Higher returns.
- Reliable source income.
- Does better in down markets.
- Protection vs. inflation, disability and death benefits.
- 80% of large employers in USA use DB.

DC IS FRAUGHT WITH RISKS

- What if people lose money?
- What if people save too little or have to work longer?

DC PROPOSAL IS A BAD IDEA

CalPERS IS A GREAT INVESTMENT FOR THE STATE

- Positive investment returns 18 of the last 20 years.
- Cost is less to run CalPERS than a DC plan.
- Source of dollars for California economy, business and creation of jobs- \$19 billion.
 - 75% of income came from good investment earnings the last 10 years.
- There are things that we can do to help out – disability fraud legislation, employer rate stabilization.

Address only if asked

- *State workers get rich of pensions - Urban legend*
- *4 other states -- Nebraska, Florida, Ohio, So. Carolina – are seeing the errors of their ways*
 - *Very few investment pros beat the market*
- *These are our firefighters, police, teachers, nurses – the same people who risk their lives*

HELP AND HURT THE WRONG PEOPLE

- Higher costs and fees for DC plans, almost 10 times more.
- Wall Street makes money even if you lose.
- Who do we want running our money? – Franklins, Putnams of the world?
- Easy to lose money in the market, even happens to the pros.

Have Trustees Use Bully Pulpit of Pension Board to Oppose DC Conversion

- **Pass Resolution Against DC legislation**
 - ✓ CalSTRS & CalPERS have led on this
- **Build grassroots support**
 - ✓ Attend official pension fund education forums and speak to beneficiaries on threat to DB plans
- **Good re-election strategy**
 - ✓ Visibly fighting for DB plans increases name ID and establishes bonafides as DB defender

Pro-DB Web Sites

- www.afscme.org
- www.definedbenefits.org
 - Run by National Council on Teacher Retirement
- www.wallstreetgreed.org
 - Run by AFL-CIO. Includes breakdown of money managers positions on Social Security and Pension privatization.
- www.ncpers.org
 - Run by National Conference on Public Employee Retirement Systems. Page on Delivering DB Message.

Anti-DB Web Sites

- www.pensionsunami.com
 - Daily clipping service of pension articles run by the Fullerton Association of Concerned Taxpayers
- www.reason.org
 - Right Wing Anti-Tax, Anti-Pension Think Tank

DB's Enemies

- **Grover Norquist and the Americans for Tax Reform (ATR):** *“Just 115 people control \$1 trillion in these funds. We want to take that power and destroy it.”*
- *“If California moves from a traditional defined-benefit pension plan to [401(k)s], the nation is likely to follow,”* said **Stephen Moore, Free Enterprise Fund.**
- The **Free Enterprise Fund** on its Pension Agenda: *“The best mechanism for ensuring full-funding is to convert from defined-benefit to defined-contribution plans.”*
- **Americans for Prosperity Foundation:** Founded by David Koch of Koch Industries, behind Colorado initiative to switch to 401k plans.
- The **Howard Jarvis Taxpayers Association (CA)** wants to stop public pension funds from *“straying into corporate governance.”*
- *The American Legislative Exchange Council (ALEC)* - provides state legislators with model legislation designed to replace the public sector defined benefit pension system.

Money Managers and their Position on DC Conversion

- **Consult AFL-CIO's Wall Street Greed site**
- **Know the positions of money managers re: social security and pension privatization**
- **Choose public battles to expose support for pension privatization**

Enlist DB support from private equity, real estate and venture capital vendors

- **DC conversion means a pension fund will have fewer and fewer resources to invest in private equity, hedge funds, real estate and venture capital**
- **Mobilize these vendors to oppose DC conversion plans**
- **Stress increased diversity of portfolio and high performance returns of alternative investment options**
- **Gauge interest in financial support for DB Defense**