

National Conference of State Legislatures (NCSL)
International Association of Fire Fighters (IAFF)
National Association of Counties (NACo)
National Association of Police Organizations (NAPO)
United States Conference of Mayors (USCM)
National Education Association (NEA)
National League of Cities (NLC)
American Federation of State, County and Municipal Employees (AFSCME)
International City/County Management Association (ICMA)
National Association of State Treasurers (NAST)
National Association of State Auditors Comptrollers and Treasurers (NASACT)
Government Finance Officers Association (GFOA)
International Public Management Association for Human Resources (IPMA-HR)
County Executives of America (CEA)
National Public Employer Labor Relations Association (NPELRA)
National Conference of State Social Security Administrators (NCSSSA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)
National Association of State Retirement Administrators (NASRA)

June 20, 2018

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives
Washington, D.C., 20515

RE: Opposition to the Public Employee Pension Transparency Act (PEPTA)

Dear Mr. Speaker:

On behalf of the national organizations listed above, representing state and local governments, elected officials, finance professionals, employees and retirement systems, we are writing to express our strong opposition to harmful legislation – The Public Employee Pension Transparency Act (PEPTA) – currently being circulated by Congressman Devin Nunes (R-CA). This bill would set a dangerous precedent with regard to unfunded federal mandates, taxation of municipal bonds, and intrusion into the operations of state and local governments. We strongly urge you to oppose this proposal and any attempts to add it to other legislation under consideration.

PEPTA does not protect benefits, save taxpayer dollars or improve retirement system financing. To the contrary, it conflicts with existing governmental accounting standards, inserts the federal government into areas that are the fiscal responsibility of sovereign States and localities, imposes costly federal regulation, and threatens to eliminate the tax-exempt bonding authority of state and local governments.

The legislation not only violates the principles of federalism, but represents a fundamental lack of understanding regarding state and local government operations and financing, including accounting standards and strict legal constraints already in place that require open financial reporting and processes:

- **State and local government retirement systems are subject to significant oversight, regulation and transparency.** Public pensions are established under state statutes, local ordinances or both; subject to fiduciary, investment and administrative laws as well as to open records and sunshine statutes; and overseen by elected governmental bodies, state and local regulators, elected office holders, the public, and independent boards of trustees.
- **Government accounting standards are set by an independent body, regularly reviewed, and were recently updated with regard to state and local pension disclosures.** The Governmental Accounting Standards Board (GASB) is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments. GASB standards for financial disclosures must be followed to receive a clean audit. GASB was established by state and local government organizations in conjunction with the Financial Accounting Foundation, in recognition of the fact that governments are fundamentally different from for-profit business enterprises, including their unique time horizons, oversight, revenue streams, constitutional or contractual protections, stakeholders and accountability for resources. GASB recently completed a multi-year process of reviewing and significantly revising its accounting standards on public pension reporting, which are now in effect. In doing so, GASB considered and rejected the assumptions and calculations proposed by PEPTA as inappropriate for governmental entities.
- **Actuarial valuations and assumptions are publicly disclosed and under review.** Actuarially determined pension contributions, as well as the assumptions that underlie them, are already required to be included in government financial notes, along with a government's 10-year pension contribution history. The financial condition of the retirement system, including funded status and necessary contributions, must be certified by qualified actuaries that adhere to Actuarial Standards of Practice (ASOP). ASOPs are maintained by the Actuarial Standards Board (ASB), which identifies what U.S. actuaries should consider, document, and disclose. The ASB is reviewing ASOPs applicable to pensions, including potential changes relating to assumptions and disclosures.
- **State and local retirement systems' financial information is publicly available, including on a searchable database.** Data on public pension plans and their finances are available, accessible to the general public at no cost and without request, on public retirement system websites. In addition, Comprehensive Annual Financial Reports and Actuarial Valuations are publicly available on [Public Plans Data](#), a searchable database which contains detailed annual data on the largest state/local pensions in the US., accounting for 95 percent of total state/local pension assets and membership.

In addition to the substantial regulation and transparency that is already in place for state and local government retirement systems, the proposed legislation also ignores the fact that every state and countless localities have recently made modifications to pension financing, benefits structures, or both – none of which required federal intervention.

Federal interference into the fiscal affairs of state and local governments is neither requested nor warranted. Therefore, we strongly urge your opposition to PEPTA and any attempts to include it, or other harmful provisions relating to state and local government finance and pensions, in any legislation under consideration.

We would welcome the opportunity to visit with you or your staff to discuss these important issues, provide additional information and answer any questions you might have. Please feel free to contact any of our organizations' legislative staff listed below:

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