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MRTA

Missouri Retired Teachers' Association

& Public School Personnel

February 3, 2011

The Honorable Jeremiah W. Nixon
Governor of Missouri
P.O. Box 720
Jefferson City, Missouri 65102

Dear Governor Nixon:

Missouri Retired Teachers Association and Public School Personnel (MRTA) represents over 18,000 education retirees and their families statewide. We urge you to oppose the concept of a State Investment Board (SIB) as had been proposed by Senator Crowell in 2010 (SB 1050). Many of our retired educators have major concerns about the potential implications a state investment board/company will have on the public school retirement system in the future. Also, these types of entities have poor records nationwide pertaining to corruption and risky investments. As taxpayers, voters, and public pension recipients, we believe the SIB is bad public policy that sets a dangerous precedent in the handling of Missouri public retirement funds.

In a time when government is challenged to do more with less funding, it is not good public policy to expand state government by creating a new far-reaching SIB. In fact, SB 1050 of 2010 described a "company," not a board, with very limited liability regarding investment of public pension funds. It appears that to achieve the cost savings that were discussed during last session as a reason to form this SIB, it would be more cost effective to merge the two plans (MOSERS and MPERS) *for investment purposes only*. This is what PSRS (Public School Retirement System) and PEERS (Public Education Employees Retirement System) did in 2009. A merger for investment purposes only would result in an instant cost savings, a reduction in the size of state government, and efficiencies in staffing. A study was conducted in 2010 by the Joint Committee on Public Employee Retirement (JCPER) as to the overall cost savings of merging these two plans for investment purposes only versus establishing another state entity or a SIB. The study clearly indicates that a SIB is unnecessary and will cost the taxpayer more than to just allow them to merge for investment purposes only. The Legislature should allow a merger of MOSERS and MPERS as PSRS/PEERS did in 2009. Because MOSERS already has the capability to add new plans to their System, we believe there is no need to expand state government when the cost savings spoken of by SIB proponents are just not true. The cost to create a new state entity, SIB, is over $2.5 million dollars in the first year. Several senators during special session of 2010 used the example of HB 265 (2009) that was signed into law that allows consolidation of public retirement funds for the purpose of investing only. The SIB concept proposed by Senator Crowell is just bad public policy.

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Also, if investment consolidation were to be implemented for MOSERS and MPERS by the proposed SIB, it is a fact that the membership of those retirement systems would lose representation over their retirement funds. The membership of the new SIB would be selected by the executive directors of both MOSERS and MPERS, one of whom happens to be a sibling of the chief investment officer of MOSERS. Their core boards would lose all effective oversight over how those funds are managed and would not be allowed to ever withdraw their funds from the SIB should the risk allocations turn out to be intolerable as fiduciaries. Again, the SIB concept is just bad public policy.

Another concern MRTA has regarding the SIB is the supposition that the funds managed by these plans are state monies. They are not! The funds and assets of these plans are the deferred wages of the members of the plans although paid by public tax dollars. The funds are held in trust by these plans and should not be gambled away without the oversight of their representative boards' watchful eyes and fiduciary responsibilities.

Lastly, MRTA is concerned about an aspiration to include PSRS/PEERS into this SIB arrangement at some time in the future. Our risk tolerances and allocations are very different from the state's smaller plans. PSRS/PEERS combined assets ($28 billion) are larger than all of the other public pension plans in Missouri combined. The size of PSRS/PEERS alone increases the likelihood that some legislators will argue that for efficiencies of scale and profits by investors/vendors, the likelihood of PSRS/PEERS being legislated into the SIB is certain whether it is this year, next year, or the next. The consolidation of Missouri's largest retirement system into a SIB will not meet the savings goals as stated by the proponents. A SIB will result in additional investment expenses and loss of control over investments for Missouri PSRS/PEERS members, all while offering no guarantee of improvements in investment returns.

The 18,000 plus members and families of MRTA ask you to strongly oppose the concept of a state investment board (SB 1050) for the above reasons. All indications are that Senator Crowell will file a similar piece of legislation in 2011 or amend the language of SB 1050 of 2010 to existing legislation in 2011. While he might not include PSRS/PEERS in his bill in the first year the bill is introduced, he has expressed in past correspondence with officers of PSRS/PEERS that he believes including PSRS/PEERS investments under the direction of a SIB would be desirable. Our heartfelt worry is that if a SIB board is set up for MOSERS and MPERS this year, we are confident in future years the legislature will choose to place PSRS/PEERS funds under the direction of the SIB.

Please do not hesitate to contact us should you have any questions or if we can be of assistance to you. We look forward to your response.

Sincerely,

Jan Powers

Janice Powers
MRTA President

Jim Kreider

Jim Kreider
MRTA Executive Director