## What to Expect When Pew and the Arnolds Come Calling: The Recent Alabama Experience

*Source: The National Council on Teacher Retirement*

A recent article in *AL.com* by Tom Krebs, entitled "The Truth Behind the Big Money Efforts to Change Pensions in Alabama," explains how the Laura and John Arnold Foundation and their surrogates, including the Pew Charitable Trusts, have tried over the last two years to convert the Retirement Systems of Alabama's defined benefit approach to a cash balance plan as part of a "nationwide crusade against public pension funds."
(*AL.com* is one of the brands of the Alabama Media Group, a digitally-focused news and information company that includes the *The Birmingham News*, *The Huntsville Times,* and Mobile's *Press-Register* and *The Mississippi Press*), and Krebs is a Securities lawyer in Birmingham and a former director of the Alabama Securities Commission, as well as a former Senior Counsel to the U.S. House of Representatives' Financial Services Committee.) Krebs' commentary discusses the work of the Joint Committee on Alabama Public Pensions, which was formed by a joint resolution during Alabama's 2015 Legislative Session, and ultimately recommended that Alabama implement a cash balance plan for new employees. However, the 2016 Regular Legislative Session ended on May 4, 2016, without taking action on such a proposal, and the pension study commission's charter has now expired.

"The Alabama Legislature seemingly is bound and determined to hand over Alabama's pension funds of $32 billion to the same Wall Street firms that brought us the financial crisis of 2008," Krebs proclaims, and is doing so acting in reliance on "volunteered and tainted 'research reports' from the Pew Charitable Trusts, the Alabama Policy Institute (API), the Mercatus Center at George Mason University" and others. They are doing so, In Krebs' opinion, "in an attempt to gain access to bribes, kickbacks, influence peddling, campaign contributions and pork barrel politics."

Whether one agrees with Krebs' characterization of motives, he accurately describes how John Arnold and the Pew Charitable Trusts are funding the attempt to take over state, county, and city retirement funds. Specifically, he notes that the "free service," in the form of "Research Reports" from Pew, offered to the Alabama Joint Committee on Public Pensions, is nothing more than the purchased opinions of "seemingly independent nonpartisan think tank 'experts,' who in turn parrot what they are told to say about claimed failures of Alabama's pension funding." "This is exactly what the tobacco companies did years ago when they purchased research and scientific studies in an attempt to convince us that smoking was not injurious to our health," Krebs insists.

Krebs notes that, since 2008, John Arnold "has spent upwards of $53 million in an effort to change public pension funds, paying "over $177,000 to the Alabama Policy Institute" and funding “almost $10 million of the Pew Charitable Trust’s effort to change public pension funds.” “All these entities and institutions have undertaken, directed and commissioned purportedly independent ‘research reports’ by professors and self-proclaimed experts on retirement fund management,” Krebs argues, “in an attempt to provide ammunition to our state’s legislators so that they can change Alabama’s pension system.” In fact, they are “nothing more than highly paid bloggers, who only parrot what they have been told by the donors to their respective institutions,” using “flawed reports” that often rely on each other’s previous report as “evidence of the correctness of their paid-for positions.”

Indeed, Alabama State Representative Randall Shedd was quoted in the Alabama press as saying that “I felt like we were just being spoon fed information from the national organizations who are intent on phasing out pension plans across America,” and he questioned whether all the information received was credible.

The Alabama experience closely parallels that of Kentucky, which adopted a cash balance approach in lieu if its DB plan in 2013. In June of that same year, a joint letter from ten Kentucky state legislators to their colleagues in other states warned how Pew had “duped enough [Kentucky] legislators into passing a bill that will cost taxpayers millions of dollars, will not reduce our state’s unfunded liabilities, and will diminish retirement security.” “Don’t let Pew and Arnold convince you to pass this harmful reform that will have long-lasting consequences in your state,” the letter stressed.

“If Pew and the Arnold Foundation come knocking on your state’s door, offering their so-called ‘objective’ assistance in reforming pensions, I hope that these experiences in Alabama and Kentucky will be used to show your legislators what is really going on,” said Meredith Williams, NCTR’s Executive Director.

Williams also warned that the Arnold Foundation is continuing its efforts to fund new “echo chambers” for its anti-public pension propaganda, including the following new grants:

- $1,500,000 (2016-2018) to the Reason Foundation to “support a multifaceted research, technical assistance, policy, and educational outreach project aimed at improving state and municipal pension systems.” (Arnold has already given the Reason Foundation $2,013,000 (2013-2017) to “expand access to information about public sector retirement systems.”)
- $190,000 (2016-2018) to the American Institutes for Research in the Behavioral Sciences to “conduct research on teachers’ pensions in an effort to identify ways to improve fiscal sustainability of state pension systems.” The Institute is a nonprofit, nonpartisan behavioral and social science research, evaluation, assessment and technical assistance

organization based in Washington, D.C., and was selected by *The Washington Post* as one of the top ten nonprofit firms in the Washington metropolitan area.
- $100,000 (2016-2017) to the Colorado Nonprofit Development Center to "educate the public about how to provide a secure retirement for Colorado's public employees."
- $50,000 (2016-2017) to Georgetown University to "fund a research study that will quantify the extent to which annual employer-funded pension earnings are inequitably deployed across teachers in schools within large urban districts in five states."
- $200,000 (2016-2018) to the National Alliance for Public Charter Schools to "conduct research and raise awareness about pension plans for teachers in charter schools."
- $252,823 (2016-2017) to Stanford University to "expand the Stanford Institute for Economic Policy Research Pension Tracker," which provides information about the financial status of public pension systems in all 50 states and the District of Columbia, including such items as the average pension debt per household for each state using a discount rate equal to 20-year Treasury yields.

"These may not be huge numbers, but they are significant, and they reflect the ever-increasing efforts of the Arnold Foundation to develop a base of 'research' that supports their strategy of doing away with the defined benefit model for public pensions," Williams stressed.

Also, Williams pointed to a video of John and Laura Arnold where Laura Arnold explains that the Arnold Foundation does not do grant solicitations to study a problem to determine the best solution to it, but instead they search for funding opportunities that fit their existing strategy. "That is, if they identify an idea that they like, they figure out a strategy and then find someone whose work fits with that strategy so they can collaborate," he explained. "But if they cannot find someone who agrees with them, then they create them," Williams continued. "Laura says this is what they would actually prefer to do, because it gives them the ability to control the message and 'to very definitively exclude' work that is not 'aligned' with their viewpoint," Williams said.

"Just incredible! This is what propagandists do, not objective researchers," he pointed out.