



A Union of Professionals

AFT Capital Strategies

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What is a defined benefit pension?

- Provides predictable, guaranteed, monthly income for life
 - ✓ Based on a pre-determined formula – a “defined” benefit
- Pre-funded system
 - ✓ Benefits received during retirement are paid for during the working career
- Investments affordably and professionally managed
- Most cost-effective way to ensure steady income and dignity for retired workers



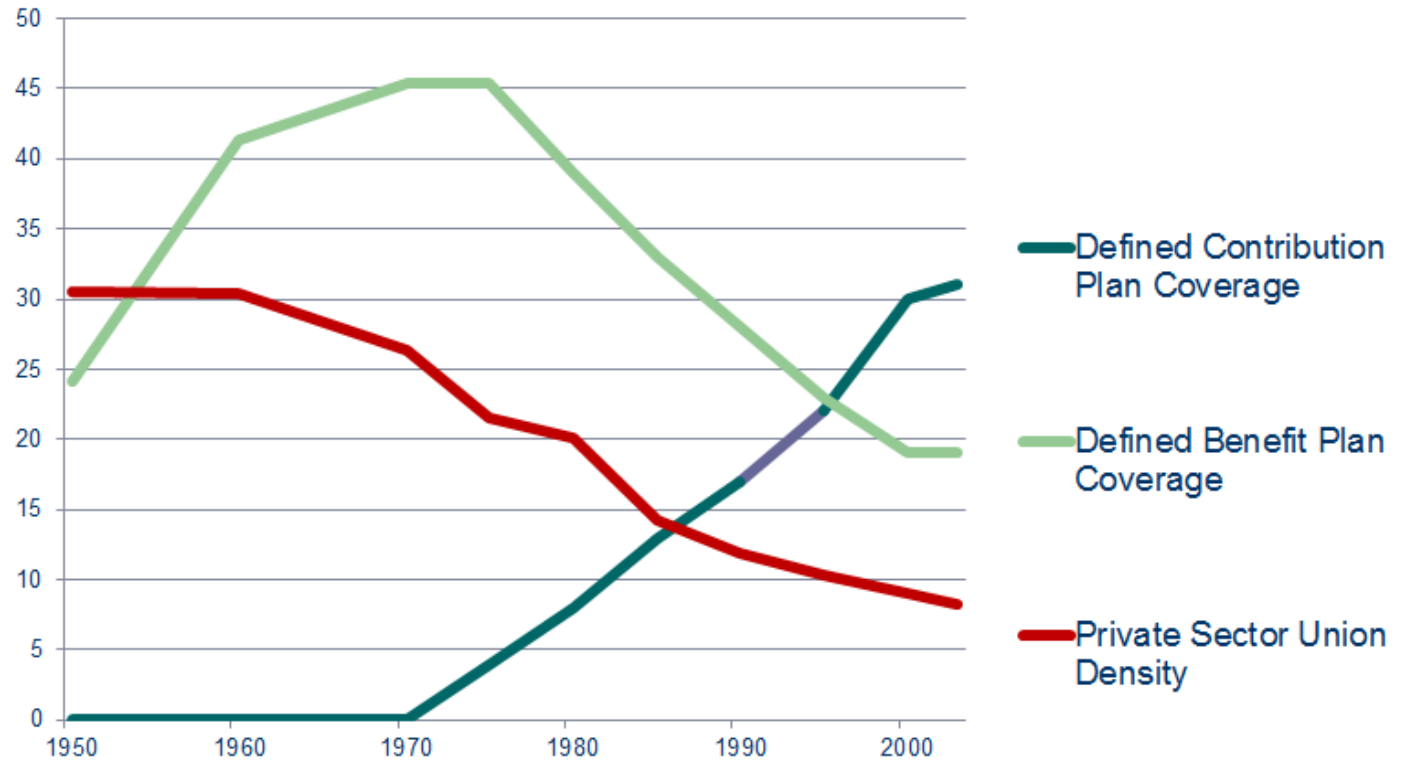
Who receives a DB pension?

86% of public sector workers

- Ex. → teachers, nurses, firefighters, state and municipal workers
- **Majority of AFT members**
- **15% of private sector workers**
 - Only a handful of large companies still offer DB pensions (GM, Costco)



Defined benefit plans have declined with union density

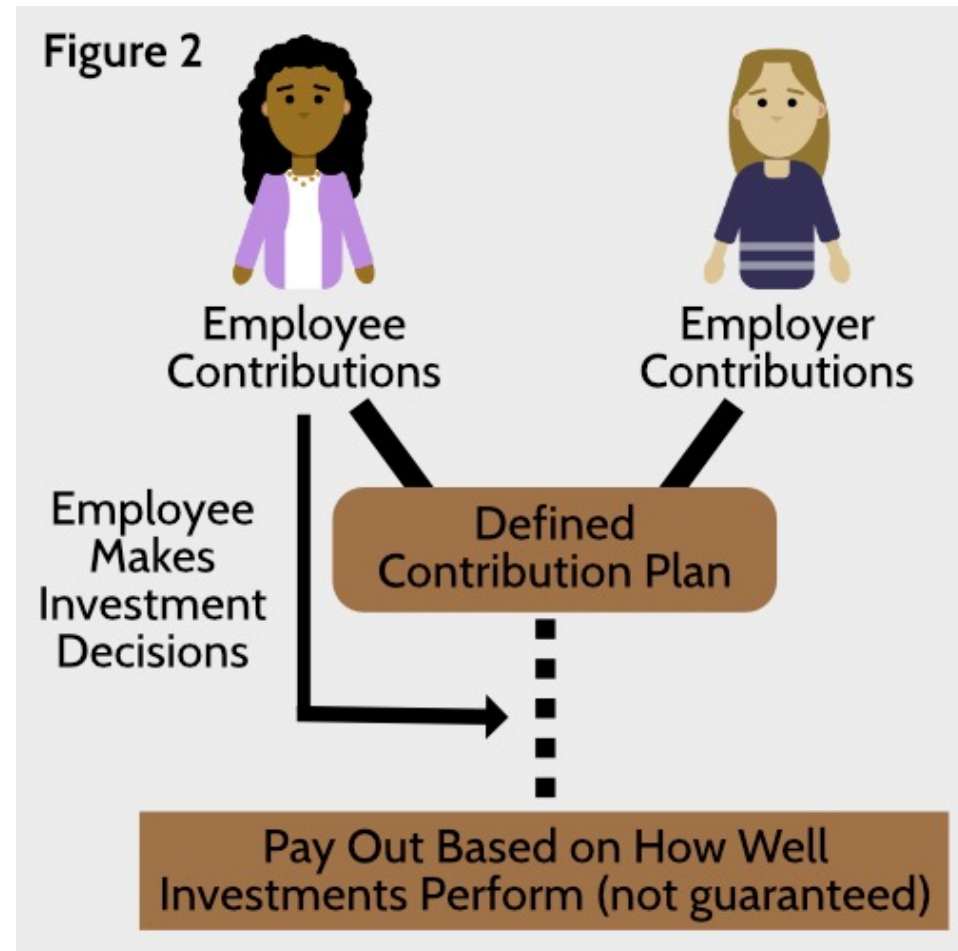


Source: AFL-CIO Office of Investments



What is a defined contribution pension?

- DC plans are a kind of tax advantaged savings plan
- Contributions are generally up to the employee, sometimes with an employer match.
- Individual workers:
 - ✓ Make their own investment decisions
 - ✓ Bear the risk of loss, and of outliving their savings



DB pensions are more reliable than DC

Retirement savings account balances, by age

Age	Median	Average
<25	\$1.8K	\$6.3K
25-34	\$14.1K	\$37.2K
35-44	\$36.1K	\$97K
45-54	\$61.5K	\$179.2K
55-64	\$89.7K	\$256.2K
65+	\$87.7K	\$280K

Table: Gabriel Cortes / CNBC
Source: Vanguard's [How America Saves 2022 Report](#)



- Median 401(k) **balance:**
 - ✓ \$35,345
 - ✓ Less than \$100,000 even for those over 65
- Median DB **benefit:**
 - ✓ \$22,172 for a state or local pension
 - ✓ \$30,061 for a federal government pension



Pension fund stakeholders

- **Participants**
 - ✓ Active participants whose deferred wages fund the plan
 - ✓ Retired participants receive a monthly benefit
- **Employers**
 - ✓ Usually contribute a percentage of payroll
 - ✓ For public workers, employer is the city/county/state/fed
- **Unions**
 - ✓ Bargain for worker pension funds
 - ✓ Lobby in support of DB pension funds
 - ✓ Raise investment issues impacting the fund
- **General Public**
 - ✓ Impacted by funding shortfalls
 - ✓ Benefit when pension funds are well-funded and more workers have reliable pensions



Attacks on pensions: Myths vs. Facts

- **“Pensions are too expensive”**
 - Dollar for dollar, DB pensions are the most cost-efficient way to fund employee retirement benefits
- **“Pension benefits are too generous”**
 - Median state/local pension benefit: \$22,172 per year
- **“401k plans are better for teachers and they’re portable”**
 - Teachers typically serve 25 years in the same state, and leave at age 58
- **“Pensions should lower their return rate”**
 - Lowering assumed rates of return to “risk free rates” is punitive and designed to make funds look more expensive than they are



How does underfunding happen?

- Employer fails to contribute (“pension holidays”)
- Actuarial assumptions change:
 - ✓ How long members are living
 - ✓ Projected population growth
 - ✓ Number of public school students/teachers, workforce size, future of work, charter school growth
- Investment underperformance or excessive fees

POLITICO

Christie slashes pay to pension funds



Christie has seen a series of credit downgrades issued to the state. | John Shinkle/POLITICO



Looting the Pension Funds

All across America, Wall Street is grabbing money meant for public workers

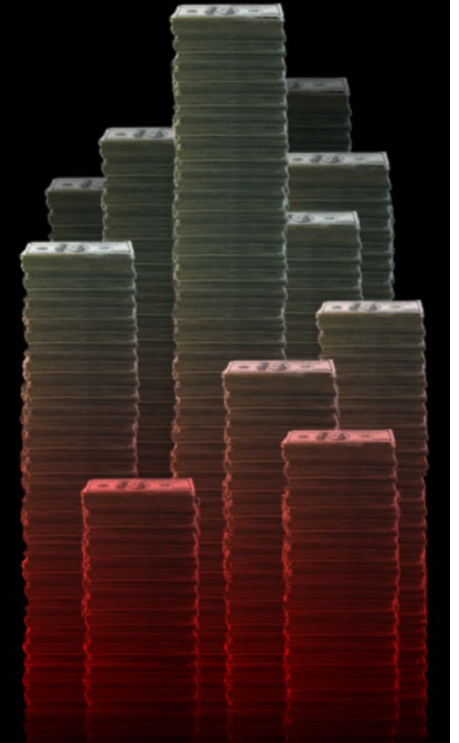
By **MATT TAIBBI**



The Intercept

A GIANT PILE OF MONEY

How Wall Street Drove Public Pensions Into Crisis and Pocketed Billions in Fees



theintercept.com



AFT Capital Strategies

- Trustee education, support, recruitment and retention
- Capital Stewardship
- Wall Street reform
- Defined benefit protection
- Retirement security
- Supports affiliates working to pass legislation to add seats for AFT members (IL, NM, NH)

The 2015 Pension 40: Randi Weingarten

No. 4 Randi Weingarten, President / American Federation of Teachers

December 22, 2015



AFT Trustee Council

- Comprised of AFT members serving as pension trustees.
- AFT provides:
 - Training and support
 - Networking and professional development opportunities
 - Support for organizing around pension issues
- Trustees take action on issues that impact AFT members, working people, communities



Areas of focus

Tech platform accountability

Supported shareholder resolutions in 2022 and 2023 calling on Meta to take responsibility for harms its platforms pose to children, teens.

Private equity

Risks to pension funds: exorbitant fees, privatization, harm to communities.

Private prisons

Pensions invested in school-to-prison pipeline, mass incarceration.

Gun manufacturers

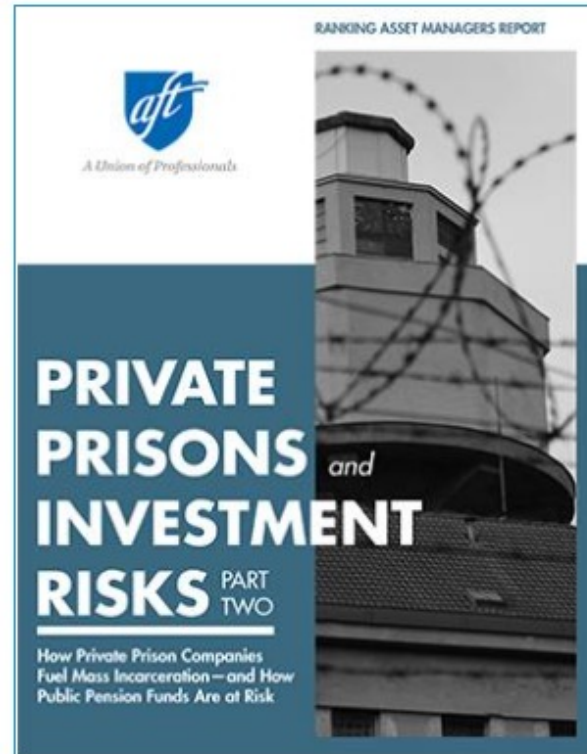
Pensions invested in weapons manufacturers that contribute to mass shootings, public health and workplace safety risks.

Investment fees

Average pension fund pays hundreds of millions of dollars a year in fees to hedge fund and private equity managers, leads to underfunding.



Private prisons

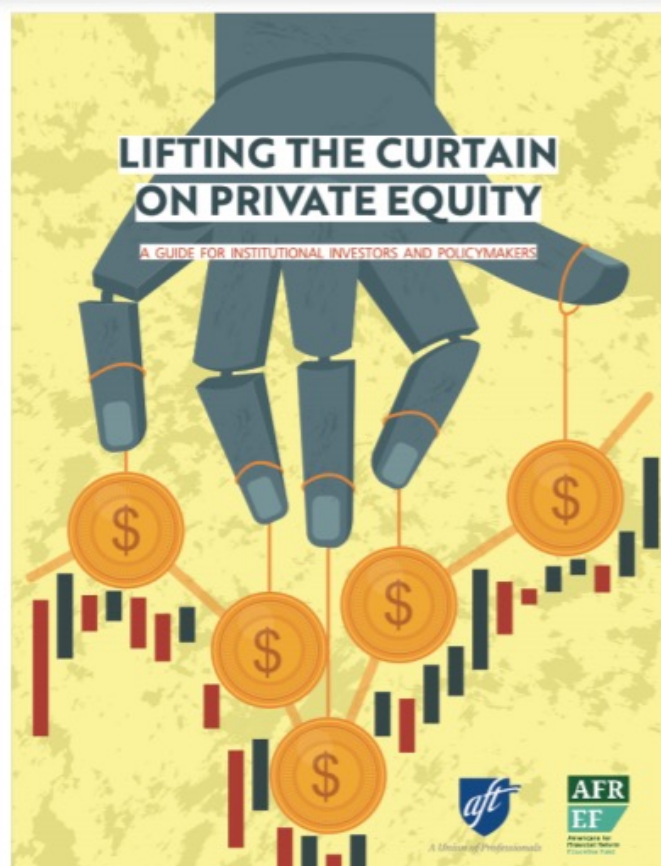


CalSTRS Joins Pensions Divesting From Private Prisons

By Mary Childs Nov. 9, 2018 11:52 am ET



Private equity



THE WALL STREET JOURNAL.

Rhode Island Treasurer Says State Pension Won't Back Future Leonard Green Funds

The New York Times

Pensions Get Bolder in Challenging Private Equity on Investments' Human Cost



Private equity and hedge fund firms invested pension cash for retired Ohio teachers. Here's what happened.

Dean and Patty Dennis worked in Ohio schools for 30 years, paying into a state pension plan. Then the pension stopped giving them cost-of-living increases.



Teachers union president calls for Russia divestment



Dan Primack, author of [Axios Pro Rata](#)

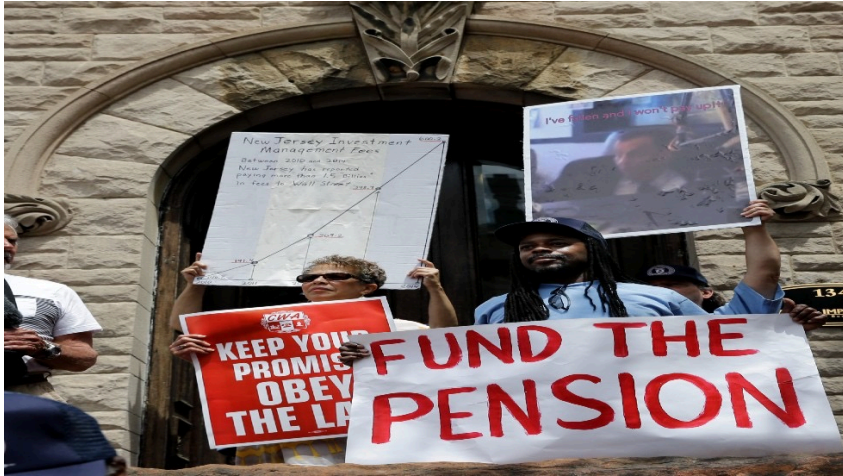


Randi Weingarten. Photo: Chip Somodevilla/Getty Images.

The impact of pensions

- Lifetime income for retiree & spouse
- Recruitment & retention
- Economic benefits to our communities, states
 - ✓ **Each dollar invested by taxpayers in public pensions supports \$8.80 in economic activity**
- Personal income from state and local government pensions > personal income derived from the nation's farming, fishing, logging, and hotel/lodging industries combined





Pension funds are workers' capital

- Teachers' pension funds are the deferred wages of our unions' members
- Pensions are invested broadly in the global economy
- Unions and pension funds can work together to hold corporations and Wall Street accountable to our funds' interests as long-term investors *and at the same time:*
 - ✓ Improve standards and conditions for workers
 - ✓ Invest in ways that reflect our members' priorities and values as plan participants
 - ✓ Help ensure that all workers can retire with dignity and security



What can AFT retirees do?

- Understand how your pension fund is invested.
 - ✓ Do the investments reflect union values?
- Participate in public pension meetings.
- Raise issues of concern with trustees, staff at your pension fund.





Resources

Key Allied National Pension Organizations

- [NPPC](#) – National Public Pension Coalition
- [NIRS](#) – National Institute on Retirement Security
- [NASRA](#) – National Association of State Retirement Administrators
- [NCPERS](#) – National Conference on Public Employee Retirement Systems
- [NCTR](#) – National Council on Teacher Retirement

AFT Reports & Expertise

- [Ranking Asset Managers](#): A retirement security report on money managers for pension fund trustees
- 2015 [All that Glitters is not Gold](#): An analysis of us public pension investments in hedge funds
- 2017 [The Big Squeeze](#): How money managers' fees crush state budgets and workers' retirement hopes
- 2018 [Gun Manufacturing and Investment Risks](#): investor actions and opportunities
- 2018 [Private Prisons, Immigrant Detention and Investment Risks](#) – Part one
- 2019 [Private Prisons and Investment Risks](#): How private prison companies fuel mass incarceration, and how public pension funds are at risk – Part two
- 2021 [Lifting the Curtain on Private Equity](#): A guide for institutional investors and policy makers