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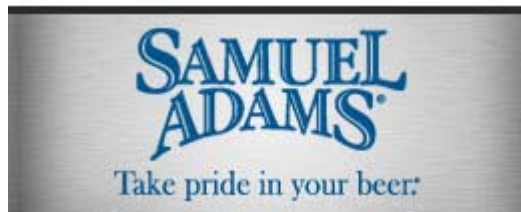
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Check out Dan's book:



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Client Profile



The Boston Beer Company is America's leading brewer of handcrafted, full-flavored beers. Founder and Brewer, Jim Koch, brews Samuel Adams® beers using the time-honored, traditional four-vessel brewing process, and the world's finest all-natural ingredients. With 18 distinctive, award-winning styles of beer, Samuel Adams offers discerning beer drinkers a variety of brews. The brewery has won more awards in international beer-tasting competitions in the last five years than any other brewery in the world. Samuel Adams is an independent brewery and has half of a percent of the domestic beer market.

For more information, visit www.samueladams.com.

Upcoming Tradeshow

Cassidy Retirement Group will be an exhibitor at NEEBC's Annual Benefits Fair and Trade Show on May 21, 2008 at Gillette Stadium in Foxboro, MA.

Dan will be moderating a session at the tradeshow that will focus on "The Changing Retirement Plan Landscape". It will provide perspective on the important issues facing retirement plan sponsors and participants including strategies for reducing financial volatility associated with retirement plans.

To view the full program agenda and learn more about the tradeshow, please [click here](#).

SOA Webcast

Tom Sablak moderated a recent webcast for the Society of Actuaries that focused on Understanding Changes During Retirement.

To view the materials presented during the webcast (including recent survey results on retirement risks), please [click here](#).

Dan Elected to NEEBC Board

Dan was elected to join the Board of Directors at the New England Employee Benefits Council. His term will start later this year.

For more information about NEEBC, please visit their website at www.neebc.org.

Public Pension Plans - A Clear and Present Danger

In this presidential election year, we are inundated by the constant stream of candidate solutions for our national problems - budget, war, tax policy, inflation, gas tax, Social Security and Medicare. This flood of national politics has overwhelmed other important issues floating just under the surface. In particular, we have a crisis in our public pension plans - those plans covering state and local workers such as teachers, firefighters, police, etc. and it is not receiving nearly enough attention from our politicians or us, the taxpayers. Like an iceberg floating along in the ocean, public pension plans are large, complex and, for the most part, hidden from view. We, as taxpayers, need to shine more light onto this hidden world of public plans to help us make more informed decisions. Recent events may help to bring this about.

California city declares bankruptcy

One basic tenet of public pension plan financing is one of "infinite life" - that a state or city cannot go bankrupt. Governments argue that this infinite life justifies their use of discount rates that ignore current market rates. For example, a government may use a 9% interest rate to discount the future pension payments in their plan, while at the same time, issue bonds at 5.9%. This inconsistency is justified by the following flawed argument:

- Plan benefits are supported by assets that are invested in equities.
- Since equities have outperformed bonds in the past, then it is reasonable to assume that this relationship will hold in the future.
- Finally, since the government entity will exist forever, it's okay to make this long term assumption.

Well, just ask the citizens of Vallejo, CA that declared Chapter 9 bankruptcy this month. Cities and towns can go bankrupt and do from time to time. According to newspaper reports, Vallejo was spending 74% of their budget on public safety (police and fire) salaries. This incredible cost basis was unsustainable and directly led to Vallejo filing for bankruptcy protection.

Everyone has a seat at the table - except one - the future taxpayer

You may read about cities and states issuing pension obligation bonds - these are bonds sold to investors where the proceeds are deposited in the pension plans to reduce a pension deficit. Connecticut issued over \$2 billion of pension obligation bonds last month - paying on average 5.9%, while officials project that money will earn 8.5% when invested in the pension plan. The basic and flawed idea is related to the discount rate discussion above -taking a dollar from the bond sale and "magically" turning it into \$1.20 due to the equity investment of the pension plan assets.

The decision makers and professionals around the table when these bonds are issued are:

- Government Officials - they look good because they cover benefit promises outside of normal tax base
- Plan Administrators - they look good because their plans have more assets in them
- Investment Managers - benefit by managing larger pension funds
- Bond Underwriters - earn underwriting fees for bond issuance
- Unions & Employees - benefit since pension plan is better funded - so much so that they may argue for benefit increases

The missing party at the table is the future taxpayer. These people will bear the risk involved in investing in equities, while others enjoy the benefits - a classic intergenerational wealth transfer.

The problems with pension obligation bonds can be best captured by a quote from New Jersey's Governor Jon Corzine, a former Goldman Sachs partner, "It's the dumbest idea I ever heard. It's speculating the way I would have speculated in my bond position at Goldman Sachs."

Resources

For more information on Cassidy Retirement Group, please visit www.cassidyretirement.com.