



## OUTLINE OF PROPOSED TESTIMONY OF:

**ANN S. FUELBERG**

**Executive Director**

**Employees Retirement System of Texas**

### **EMPLOYEES RETIREMENT SYSTEM OF TEXAS**

**Ann S. Fuelberg**

Executive Director

Bill Ceverha

*Chair*

Yolanda Griego

*Vice-Chair*

*Board of Trustees*

Cydney C. Donnell

Don Green

I. Craig Hester

Owen Whitworth

- MVL appears to be based on a termination scenario. Unlike the private sector where mergers and bankruptcies are common, state governments, local school districts, and local units of government are highly unlikely to terminate.
- Over long time horizons (10 years or more) public pension plans in Texas have consistently produced returns in the 8 percent range from a diversified portfolio and stake holders have come to expect investment returns to be a significant portion of public fund revenue.
- The current methodology with disclosures and financial reporting provides policy makers and stakeholders all information needed to make informed public pension decisions and in fact provides a much more stable and consistent methodology for funding than would MVL.
- A recent report by GAO stated “the funding status of state and local government pension plans is reasonably sound”. In addition, based on reports regarding those public pension plans that have encountered problems in the recent past, the problems occurred from issues other than the financial reporting methods used.
- There is simply nothing to be gained by making wholesale changes to financial reporting methodology simply to achieve some “symmetry” with the private sector particularly when such changes could have a negative impact on the millions of employees who rely on a public pension to secure their retirement.