



Looting Public Pensions: A New Think-Tank Study

Taibblog

by MATT TAIBBI

SEPTEMBER 26, 2013

So we have a new feature out today, "**Looting the Pension Funds**," that looks at the blame game being played with state and municipal fiscal crises and the hiring of ultra-expensive "alternative investments" like hedge funds as a key trend in an evolving pension reform movement. The story looks at the role in the organized nationwide "pension reform" movement played by right-wing financiers like former Enron billionaire John Arnold and **fee-hungry Wall Street honchos like Third Point billionaire Dan Loeb**.

I was originally turned on to this story by old friend David Sirota, who wrote a massive report on the subject for a new progressive think tank, the **Institute for America's Future**. We talked about the subject a lot in the last months and timed it so that his report would also be released today. I urge everyone to read his report (**you can find it here**), which goes into far more detail than my piece did, especially about Arnold and his relationship with "centrist" organizations like Pew Charitable Trusts.

We both looked extensively at Rhode Island as a kind of test case for a lot of the issues we're talking about. For more in-depth coverage of the Rhode Island pension crisis, **I strongly recommend that readers visit a site called GolocalProv.com**, which has done outstanding work in trying to follow the math in their state's highly confusing pension mess. Former *Providence Journal* reporter Mike Stanton also extensively covered the issue – **you can see an example of his work here**.

There are really three main themes to follow in this pension scandal:

- 1) Many states and cities have been under-paying or non-paying their required contributions into public pension funds for years, causing massive shortfalls that are seldom reported upon by local outlets.
- 2) As a solution to the fiscal crises, unions and voters are being told that a key solution is seeking higher yields or more diversity through "alternative investments," whose high fees cost nearly as much as the cuts being demanded of workers, making this a pretty straightforward wealth transfer. A series of other middlemen are also in on this game, siphoning off millions in fees from states that are publicly claiming to be broke.
- 3) Many of the "alternative investments" these funds end up putting their money in are hedge funds or PE funds run by men and women who have lobbied politically against traditional union pension plans in the past, meaning union members have been giving away millions of their own retirement money essentially to fund political movements against them.

There are many other themes, but those are the three that I found most interesting in this complicated story. David and I both will likely be doing media appearances on the topic in the upcoming weeks.

In that regard, **here's an appearance I made on *Democracy Now!* this morning**.