



JAMES L. McINTIRE
State Treasurer

State of Washington
Office of the Treasurer

July 8, 2010

The Honorable Chris Dodd
United States Senator
448 Russell Senate Office Building
Washington, DC 20510

Dear Senator Dodd:

I am writing to offer just one illustration of the importance of your work on the Frank-Dodd Wall Street Reform and Consumer Protection Act. While this legislation may not be everything everyone wanted, it represents a major step toward improving accountability and transparency in the nation's financial system.

In particular, I am pleased to see new oversight for credit rating agencies that better protects investors, businesses and government debt issuers. Just this week, Washington State experienced yet another example of why higher standards are needed when Standard and Poor's published flawed work concerning public pension funding levels (see my letter to S&P – attached). Then, to add insult to injury, S&P contacted my office that same day seeking to increase their fees.

Washington led the nation in reforming public pensions when we closed our more generous retirement plans in 1977 to replace them with more affordable plans – an action other states are only now beginning to consider. We have funded these newer plans over time in a disciplined way with contributions from state and local governments, employees, and investment returns. As a result, these still-open plans remain fully funded – even after the recent severe financial crisis. Moreover, a new hybrid option was created to combine defined contributions with defined benefits to offer even more flexibility and choices. It is truly unfortunate that S&P's report inappropriately covered only the old, long-ago closed plans. While these plans pose challenges because they were not consistently funded over time, they have been closed for over 30 years and represent only a fraction of our covered workforce.

S&P's error and their drawn out process for correcting it does nothing to their reputation while putting our reputation at material risk. This is especially troubling because it so grossly mischaracterizes the overall strong financial condition of our public pension plans that cover approximately 302,000 current state and local government employees and 126,000 retirees, whose average pension payment is only \$19,281 per year.



Greater oversight and accountability to higher standards for credit rating agencies can help correct this imbalance. Currently I now have little recourse when handed a bill for services from the rating agencies – even if there are material defects in what they do or say about the state. Creation of an Office of Credit Ratings at the Securities and Exchange Commission provides an avenue for issuers to seek redress should that be needed in the future.

Credible and accurate information from rating agencies helps assure both the bond issuer and the bond investor that facts have been checked and ratings have been fairly applied. A functioning and reliable rating system bolsters credibility and confidence – but is also an efficient way for market participants to evaluate their choices. I am pleased to see improvements to credibility, accountability and transparency in the changes expected with passage of the Frank-Dodd Act. Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to read "James L. McIntire". The signature is fluid and cursive, with a large initial "J" and "M".

James L. McIntire
State Treasurer

Cc: Washington's Congressional Delegation, Speaker Pelosi, Senator Reid, Congressman Frank