Coalition of Arizona State Retiree Associations
Meeting Notes
October 29, 2008

Members Present: Keith Meredith, ASRS; Kenneth Bean, NAU; Robert Mings & Alan Johnson, ASURA; Doyle Burke, MCCD; Martin Marich, AASRA; Jim Burke, U of A; Steve Ramos, John Campbell, Bob Bloom, Julie Horwin, & Linda Somo, AEA-Retired; Doug Kilgore, AEA staff.

I. Keith Meredith, ASRS Trustee, reported that:

- ASRS is in the process of planning their budget for the next fiscal year. They are trying to limit growth of staff without a cut in services to members
- Plan fund has suffered losses due to the recent decline in investment returns, but there will be no benefit cuts to Plan members (those who have the Defined Benefit program)
- System members (about 2000 retirees) may see some cuts in benefits in 2010 if the market doesn't rebound
- Plan funding status may drop below 80%, but investments are very diversified, so won't drop as far as stock market
- Plan fund is only 1% invested in real estate at present time, even though authorized for up to 5%
- Plan is currently funded at 82%
- 2009 contribution rate already set and based on 2007 earnings; could increase by .4% for 2010 if market doesn't improve
- Average of funding ratio across all pension funds nationwide could drop as low as 65% if market stays down.

II. Health Insurance Update

- Health Insurance Committee is composed of representatives of 15 state employee retirement groups which makes recommendations to ASRS Board regarding retiree health insurance plans and educates itself about issues affecting senior health care
- Committee met for first time this year on October 14 to begin bidding process of selecting new provider for 2010; contract with PacifiCare expires in one year
- Committee believes there is more interest from health insurance companies than in recent past due to large numbers of retiring baby boomers
- After bids are analyzed by consultants, Evaluation Committee comprised of two Health Insurance Committee members, ASRS staff, and ASRS Board members will review plans and make recommendations to entire Health Insurance Committee to consider

III. PBI

- There will be no PBI for at least the next five years or longer

IV. 1% COLA Idea

Steve Ramos informed attendees of several conversations with Paul Matson that he has had regarding the possibility of a 1% COLA in place of the PBI.

- Members discussed the pros and cons of a proposal of an annual increase in the retiree benefit, such as 1%, that could be allocated by the Board in place of the PBI and would not be subject to the excess interest earnings for payment
- Meredith explained that it would be "at the discretion" of the Board to allocate and that it would not be guaranteed
- Meredith explained that since it is not currently funded by part of the contribution rate, it would have an impact on the Fund and that would have to be taken into consideration

V. ASRS Legislative Package

Members present received the working draft of the 2009 ASRS Legislative Proposal, and the Return to Work Proposal. Included in the package are:

- Change from 80 to 85 points for normal retirement
- Change from 36 to 60 month averaging for calculating retirement benefit
- Limiting the percentage of withdrawal of employer contributions for someone who leaves the Fund prior to retirement (currently can be as high as 100% of employer contributions)
- Steve Ramos explained the Return to Work proposal which calls for an imposition of an Alternative Contribution Rate on employers for those employees hired back after retirement who have not met the mandatory interruption of duty timelines; this basically applies to public education employees who are hired by private firms, such as Smart Schools and ESI, to work more than half-time for school districts immediately after retirement.

Discussion occurred regarding a position by the Coalition on the ASRS Legislative Proposal. It was noted that some retirees would be opposed to changing back to 85 points which might be considered a "give back" of a previously won improvement. Using the full draft of the Legislation Proposal, Coalition members present at this meeting will discuss the proposed changes with their own constituent groups. E-mail to John Campbell, jscampbell@qwest.net, the results of those discussions. Please include a full explanation and reasoning if your organization takes a position to support or oppose, or stay neutral. John Campbell will keep Coalition members updated about any legislative issues or changes to the Return to work proposal.

The Coalition may wish to meet again in February or March.

Respectfully submitted,
Linda A. Somo
AEA-Retired