Attack On Our Retirement System Likely In Next Legislative Session.

State budgets across the country are being squeezed, causing conservative legislators to once again push for “privatization” of almost everything, including public employee pension plans. The Arizona State Retirement System is a “defined benefit” (db) plan, where employees get a guaranteed lifetime pension based on their salary and years of service. AEA Retired is now gearing up for a fight to retain one of the best db retirement plans in the country. We are counting on our members to help send that message to their elected officials.

Glenn Hamer, president of the Arizona Chamber of Commerce and Industry, is not the first to call for changes in the ASRS retirement system. Hamer, in an article for the Mesa Tribune, July 31st 2010 said, “The current design of the plan is eating up more and more tax dollars. Without significant alterations, it will become an increasing drain on resources, leaving less money for everything else.” The Chamber believes that a “defined contribution” (dc) style plan would create “predictability for the state in addition to potentially saving money.”

In a dc plan, both the employer and the employee put a set amount of money from each paycheck into a 401k-type investment fund, administered by a private for-profit company. The investment then can be managed by the employee to build a retirement nest egg. A few states have actually moved from a db plan to a dc plan with disastrous results for employees. NEA is now involved in campaigns to help these states move back to a db plan.

NEA and ASRS have research that show db plans actually are less expensive to administer than “dc plans. This is because private companies must cover higher administrative costs and make a profit. Those costs are passed on to employees in higher fees. Research also shows that most employees don’t do a good job of managing their own funds and are notorious for miscalculating their future retirement needs. This can leave them short at the most vulnerable time in their lives and cause them to be a burden on taxpayers in the

future.

Courts have ruled that changes made to retirement plans cannot be applied to workers already in the system. However, removing new employees from the plan threatens the viability of the entire system. Also remember, the legislature has the power to make other internal changes to the plan that affect future benefits.

As we have reported in past issues of The Conduit, ASRS has taken what AEA Retired believes were responsible steps to hold contribution rates down. ASRS continues to look at changing existing laws that allow a teacher to retire, start collecting a pension and then go back to work teaching without making contributions to the system.

In 1998 AEA-Retired brought together a coalition of ASRS member groups to add constitutional protection to our fund and individual benefits. That effort has paid off recently as the legislature looked for ways to balance the budget in a bad economy. AEA Retired is bringing back that coalition to fight this latest assault on our plan. Members will need to stay informed and in contact with AEA Retired. Sign up for our e-newsletter, legislative updates and attend chapter meetings. Please share this information with others and encourage them to join us. Our first battle may be electing a governor who would veto any attacks on our system.

Steve Ramos
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