

# Arizona Education Association Retired

## Protecting your ASRS Retirement



## Arizona Education Retired

# ARIZONA RETIREMENT SECURITY COALITION



[azretirementsecurity.com](http://azretirementsecurity.com)

**BOOSTING ARIZONA'S ECONOMY.  
CONSERVING TAXPAYER DOLLARS.  
PROTECTING RETIREMENT BENEFITS.**



# ASU / ASRS PENSION THREAT



**New legislation proposed by  
Arizona State University, will  
threaten the stability of the  
ASRS plan and the retirement  
security of public employees**

**THE ARIZONA STATE RETIREMENT SYSTEM  
(ASRS) ... WAS CREATED TO PROVIDE  
RETIREMENT SECURITY AND BENEFITS  
TO PUBLIC EMPLOYEES.**



**ASRS HAS OVER HALF A  
MILLION MEMBERS**

**128,000 RETIRED MEMBERS  
AND BENEFICIARIES**

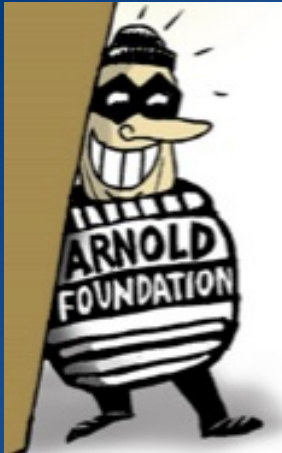
**THE AVERAGE MONTHLY  
BENEFIT IS ABOUT \$1700**



# WHO IS BEHIND ATTACKS ON PUBLIC EMPLOYEE PENSION SYSTEMS?



## The Pew Center On The States



**BILLIONAIRE JOHN ARNOLD, WANTS WALL STREET TO GET A BIGGER CUT OF PUBLIC EMPLOYEE PENSION DOLLARS.**

**401k**  
HIDDEN FEES



**401k PLANS COST MORE TO ADMINISTER  
HAVE HIGHER FEES, HIDDEN FEES AND  
PRODUCE SMALLER RETURNS  
AND SHIFTS 100% OF RISK ONTO  
EMPLOYEES**

**A SAFE AND SECURE RETIREMENT IS  
A BENEFIT THAT HAS DISAPPEARED  
FROM MOST PRIVATE SECTOR JOBS**

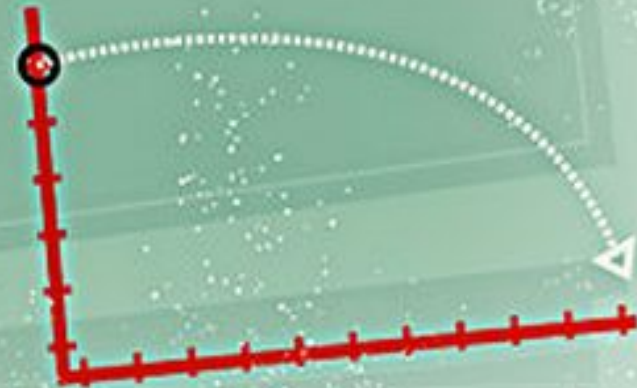




# GOOD DEFINED BENEFIT PENSIONS PLANS, LIKE ASRS, ATTRACT AND KEEP QUALITY EMPLOYEES

A *Lost Employee* WILL **COST** YOUR COMPANY:

- TIME FOR YOUR EXISTING EMPLOYEES TO COVER WORK IN THE INTERIM
- TIME TO FIND A REPLACEMENT
- MONEY TO FIND A REPLACEMENT
- MONEY TO TRAIN THE REPLACEMENT
- LOSS OF KNOWLEDGE
- STRESS AND STRAIN ON THE EXISTING TEAM





**ASRS EMPLOYERS INCLUDE ..  
STATE AGENCIES, UNIVERSITIES AND  
COLLEGES, PUBLIC SCHOOLS,  
COUNTIES, AND MOST CITIES.**



# ASRS BY THE NUMBERS

**TOTAL**

**FUND**

**\$33.6**

**BILLION**



**RATE OF**

**RETURN**

**SINCE**

**INCEPTION**

**10.1%**



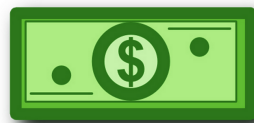
**CONTRIBUTION**

**RATE 2015-16**

**11.47%**



**ASRS IS A DEFINED BENEFIT PLAN.**  
A FIXED BENEFIT AFTER RETIREMENT  
AND GUARANTEED FOR LIFE.



**ASU WANTS TO CHANGE TO A  
DEFINED CONTRIBUTION PLAN.**  
YOUR PENSION IS DETERMINED BY  
THE MARKET. THERE IS NO  
GUARANTEE THAT IT WILL BE THERE  
WHEN YOU NEED IT OR THAT IT WILL  
LAST YOUR LIFETIME.





# THE ASU & ASRS RELATIONSHIP



- **ASU EMPLOYEES HAVE ALWAYS BEEN MEMBERS OF THE ASRS RETIREMENT PLAN.**
- **THE ASRS PLAN INCLUDES DISABILITY AND HEALTH CARE BENEFITS.**
- **BEFORE 2013, ONLY FACULTY HAD THE CHOICE OF TAKING AN OPTIONAL, 401K TYPE PLAN INSTEAD OF ASRS.**

**IN 2013 THE STATE ALLOWED ASU  
TO CREATE A NEW CATEGORY OF  
EMPLOYEES CALLED  
“UNIVERSITY STAFF”.**



**THEY HAVE NO ANNUAL CONTRACTS  
AND CAN BE HIRED AND FIRED  
“AT WILL”.**

# CURRENT ASU RETIREMENT OPTIONS



UNIVERSITY STAFF AND  
CATEGORY 1  
CLASSIFIED STAFF,

Their only option now ...

THE ASRS DEFINED BENEFIT PLAN





# MORE ASU RETIREMENT OPTIONS

**FACULTY, ADMINISTRATORS, ACADEMIC  
PROFESSIONALS AND UNIVERSITY  
STAFF CATEGORIES 2, 3, 4 and 5**

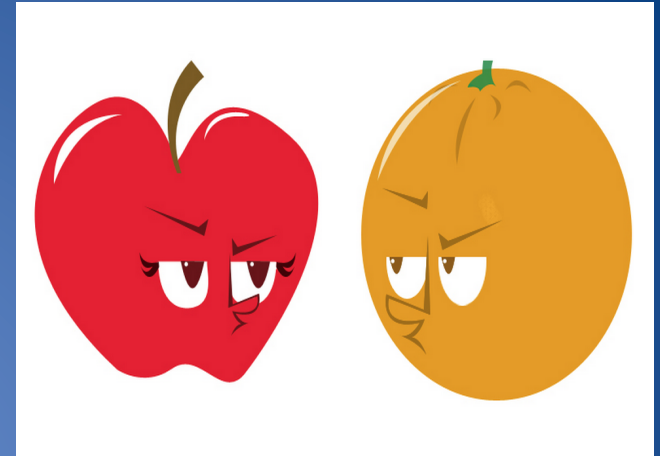
**Their options now ...**

**401K DEFINED CONTRIBUTION  
PLAN**

**Or the default plan ...**

**THE ASRS DEFINED BENEFIT  
PLAN**

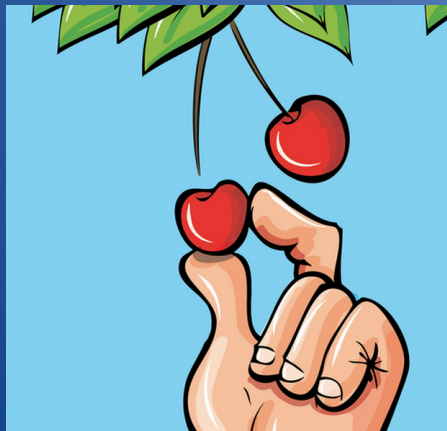
**CURRENTLY IT COSTS ASU  
11.35% TO MATCH THE  
CONTRIBUTION MADE BY  
IT'S EMPLOYEES TO THEIR  
ASRS RETIREMENT.**



**IT COSTS ASU ONLY 7%  
TO CONTRIBUTE TO AN  
EMPLOYEE'S 401k  
STYLE "OPTIONAL  
RETIREMENT PLAN".**



**ASU COMPLAINS THAT  
ASRS CONTRIBUTION  
RATES HAVE “MORE  
THAN DOUBLED IN 10  
YEARS” WHILE THEIR  
OPTIONAL PLAN HELD  
STEADY AT 7%.**



**ASU DOESN'T  
MENTION THAT FOR 10  
YEARS BEFORE THAT  
THE ASRS  
CONTRIBUTION RATE  
AVERAGED 3.12%**



# THE PENSION ISSUE



ARIZONA  
BOARD OF  
REGENTS  
PRESIDENT  
EILEEN KLEIN  
SAYS ...



***“We want to eliminate guaranteed pensions for new employees. The goal is to save money spent on pensions and health insurance and redirect those dollars to students.”***

***“The universities want to replace pensions with 401(k)-style plans and not be on the hook for a guaranteed pension.”***

**Eileen Klein,  
Associated  
Press  
2/10/2015**



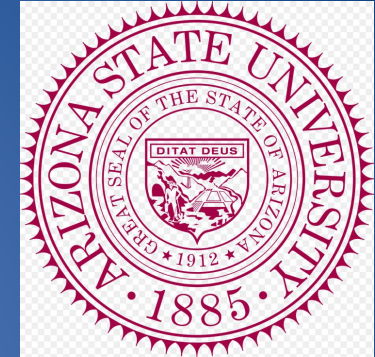
# TRANSLATION:

**ASU WANTS TO BALANCE ITS BUDGET ON  
THE BACKS OF NEW EMPLOYEES BY  
CONTRIBUTING LESS MONEY TO EMPLOYEE  
RETIREMENT PLANS.**

**\$**

**EMPLOYEES WILL MANAGE THEIR OWN  
ACCOUNTS, BE CHARGED HIGHER FEES,  
ASSUME ALL RISKS OF THE STOCK  
MARKET AND HAVE NO GUARANTEE THAT  
THEY WILL NOT OUTLIVE THEIR  
RETIREMENT SAVINGS DOLLARS.**





**GOVERNOR DUCEY PLANS TO  
HELP ASU PRESIDENT MICHAEL  
CROW GET OUT FROM UNDER  
ASRS REGULATIONS.**

ASU PRESIDENT  
CROW SAYS THIS  
ABOUT  
PENSIONS



*"We don't want any defined benefit retirement programs. ... It's too expensive. It's too inefficient. Those programs slow us down."* **WRONG!**

ACTUALLY, DEFINED BENEFIT PLANS  
CAN DELIVER THE SAME RETIREMENT  
INCOME AT **48%** LOWER COST THAN A  
401K PLAN.



## CROW SAYS THIS ABOUT HIS ASU EMPLOYEES



***“... We have employees who by mandate are offered this defined benefit plan, ... which puts a huge liability onto the state”***

**WRONG AGAIN!**

**PROVIDING RETIREMENT SECURITY FOR  
EMPLOYEES CREATES MILLIONS OF DOLLARS  
IN ECONOMIC STIMULUS FOR THE STATE'S  
ECONOMY, EVEN IN BAD TIMES.**





## HORTENZIA SOZA

**Worked at ASU for 22 years as the head cook at the Memorial Union.**



**She lived to age 95, had 3 children, 9 grandchildren, and 14 great grandchildren. She continued to pay taxes and support local businesses without ever becoming a liability to the State of AZ.**



**CROW THINKS ... PROVIDING RETIREMENT SECURITY IS A “HUGELY NEGATIVE FORCE” FOR ASU.**

**SHIFTING PENSION RISK TO EMPLOYEES WILL KEEP “EVERYONE’S MIND FOCUSED ON PERFORMANCE”, AND ...**

**401k STYLE PLANS KEEP EMPLOYEES FROM WORRYING ABOUT HOLDING ONTO THEIR JOBS “FOR 20 OR 30 YEARS.”**



**CROW WANTS DEDICATED EMPLOYEES FOCUSED ON JOBS, NOT GUARANTEED PENSIONS.**



## TRINI PINEDO

Worked full time at ASU as a secretary for over 40 years, retired and then ...

DEDICATED  
EMPLOYEE



... with her retirement secure, she worked part time at ASU West from 2003 until her death in 2015.

# THE LIABILITY ISSUE

**ASRS IS CURRENTLY 76% FUNDED...**  
**AND HAS A 24% LIABILITY**



**<--- COLLECTING  
CONTRIBUTIONS  
AND MAKING  
INVESTMENTS**

**AND PAYING  
OUT BENEFITS  
OVER TIME --->**



# WHAT CAUSED THE LIABILITY?

**A DOWNTURN IN THE ECONOMY**

**A DECREASE IN THE  
NUMBER OF EMPLOYEES  
PAYING INTO THE SYSTEM**



**AN INCREASE IN  
MEMBERS TAKING  
RETIREMENT**



**WHEN AN EMPLOYER LIKE ASU WANTS  
TO PULL OUT OF ASRS, THEY LEAVE  
OWING ASRS MONEY.**

**THAT LIABILITY IS CURRENTLY 24%**

**YOU OWE ME  
MONEY**



**ASRS ESTIMATES THE LIABILITY  
COSTS OF REMOVING JUST THE ASU  
NEW EMPLOYEES AT \$66 MILLION**



**\$179 MILLION LIABILITY  
IF THE U of A AND NAU  
JOIN THE MOVEMENT**

**IF ALL THE COMMUNITY  
COLLEGES OPT OUT,  
EVEN MORE ... \$\$\$\$\$\$\$**



# WHO PAYS FOR THE LIABILITIES?



**ASRS MEMBERS PAY,  
THROUGH INCREASED  
PAYROLL CONTRIBUTIONS.**

**ASRS EMPLOYERS PAY,  
THROUGH INCREASED  
MATCHING CONTRIBUTIONS**

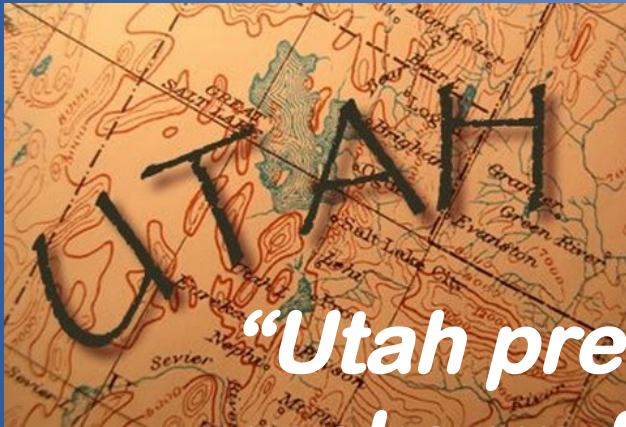


**ASRS RETIREES PAY, AS  
LOWER RETURNS FAIL TO  
TRIGGER NEEDED  
COST OF LIVING BENEFITS**



# THE UTAH LESSON

IN 2011 UTAH CHANGED ITS PENSION SYSTEM FOR PUBLIC EMPLOYEES, FROM A DEFINED BENEFIT TO 401k ACCOUNTS.



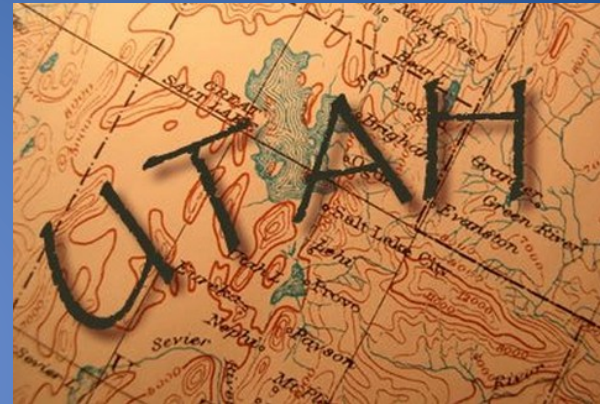
DESERET NEWS  
7/31/2015

*“Utah predicted workers would make up for the loss of pension benefits by contributing more of their earning to retirement plans. So far, not so good.”*



***“It’s not the state’s fault employees didn’t save enough for retirement ...”***

**DESERET NEWS  
EDITORIAL 7/13/2015**



***“ ... It will be the state’s problem if large numbers of retirees end up becoming dependent on public assistance programs ...”***

# THE WEST VIRGINIA EXPERIENCE

**WEST VIRGINIA SWITCHED TO A 401K PLAN,  
THEN HAD TO SWITCH BACK WHEN THE  
PLAN BENEFITS PROVED INADEQUATE.**

**ACCOUNT BALANCES  
AVERAGED \$33,944**

**ONLY A FEW OF THOSE  
AGE 60 OR OLDER HAD  
MORE THAN \$100,000**

**A FRACTION OF WHAT WOULD BE NEEDED  
FOR LIFETIME RETIREMENT SECURITY.**



# WHAT YOU CAN DO?

**SHARE THIS INFORMATION WITH OTHERS.**

**CONTACT YOUR STATE LEGISLATORS  
AND EXPRESS YOUR CONCERN ABOUT  
THIS ISSUE .... [www.azleg.gov](http://www.azleg.gov)**

**BECOME PART OF THE ARIZONA  
RETIREMENT SECURITY  
COALITION.**



**WATCH FOR ACTION ALERTS DURING  
THE LEGISLATIVE SESSION.**



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