ASRS Report, November 21st Board Meeting

Agenda Item #4: Legislative Issues

The Board had a short discussion of the legislative plan for the 2009 Session. The plan has been delivered to the legislature and includes new Return to Work legislation and changes to the Plan Design. One Board member asked about the effect of a Brewer Administration on the legislative plan. ASRS Government Relations Officer Leslie Sorensen noted that, " It might be easier to get it passed under Brewer".

RETURN TO WORK

As your representative, I still have no authority from AEA-Retired or AEA to speak to the RTW issue. AEA has expressed concerns about RTW and membership. AEA believes that under the proposed RTW law, AEA would lose members because they would stay with SmartSchools for the duration of their RTW experience. AEA would prefer that members work only one year for SmartSchools and then return as district employees and AEA members, for the remainder of their RTW experience. I think that RTW could also have an effect on AEA-Retired membership.

On November 10th I talked with ASRS director Paul Matson and the ASRS actuary Charlie Chittenden. I wanted to get some answers to some questions.

Question: If we were to change the RTW legislation, so the year with SmartSchools counted as separation from ASRS as it does now, could we then charge an ACR to districts that hire members who return to work for the district the second year?

Answer: No, not without changing the original language of the RTW statute. This might be possible since ASRS is opening that statute anyway

Here is part of that statutes language:

38-766.01. Retired members; return to work
……. a retired member may return to work and still be eligible to receive retirement benefits if ….. the following requirements are satisfied:
…….The retired member terminated employment at least twelve months before returning to work.

…….An employer of a retired member who returns to work pursuant to this section shall not pay contributions on behalf of the retired member

PLAN DESIGN CHANGES

Again, as your representative I have no authority from AEA-Retired or AEA to speak to the Plan Design Changes
.
The Changes would only affect those hired after the legislation goes into effect.

- Changes the calculation of a member's average monthly salary from the highest 3 years to the highest 5 years.

- Raises the points for Normal Retirement from 80 to 85

- Limits a member, who terminates employment after five or more years, to a refund of only 25% of their employer's contribution.

Last year AEA took a neutral position on these changes.

I have been thinking more about the Plan Changes, especially the 80 to 85 points and the 3 to 5 year averaging. It is easy to say this is a "give back" and assume that this is bad for our members. But what if it was a "give back" that was actually good for 100% of our current members and at the worst, a wash for our future members?

I asked Paul Matson how much a member would save in contribution rates over 30 years, compared to how much a member would lose in retirement dollars by averaging 5 instead of 3 years. After giving it some thought Paul said it would probably be a wash, but Charlie indicated it would only be a wash for new hires. Those already in the system (100% of our members) would get a bonus because they would see their contribution rates go down and would not be subject to the plan changes. The same would be true for the 80-85 points. Contribution rates down but members not subject to plan changes. New hires would be forced to work two and a half years longer, but this could possibly give them a higher salary upon retirement and a bigger retirement check. Again, all the time benefiting from lower contribution rates as a result of plan changes.

As a bonus to AEA, we get to keep them as an active member two and a half years longer.

I realize AEA is compromising its privatization principles to agree to any RTW deal with SmartSchools. The trade offs are lower contribution rates and a system that doesn't force active members and retirees to pay for the damage done to our retirement system by their colleagues RTW windfall.

More Questions:

Will every district agree to a deal like Paradise Valley got?

If we lose every retiree for a year to SmartSchools what percentage will we get back?

How many members will AEA-Retired lose?

Finally, after the year with SmartSchools, how many more years will they work as our members?

Agenda Item 5: Sudan and Iran, Scrutinized Companies List.

In the coming months, ASRS will send letters to all companies on the list advising these companies that their activities could subject them to divestment by ASRS.

Agenda Item # 6: ASRS Budget Savings Plan.

ASRS has identified about $800,000 in reductions in the current appropriated budget. Combine that with more than $400,000 in previously appropriated funds from 2006 that they do not intend to spend and ASRS will return approximately $1.2 million to the Trust Fund. ASRS also amended their budgets for 2010 and 2011 to reduce future expenditures.

Agenda Item # 8: Plan and System Actuarial Data as of June 30, 2008.
(Interesting Highlights)

A 1.1% increase in the number of active Plan members since 2007.
A 6.4% increase in retired Plan members in the same period.

The average annual salary of active Plan members, $42,879.
The average annual pension of retired Plan member, $$20,702.

The old retirement System has only 37 active members.
Average age, 68.7
Average balance in their "defined contribution account, $646,971.

The old retirement System has 1,656 retired members.
Average age, 79.
Average annual Annuity, $29,199 (includes 13th check)

The ASRS Board also voted to set the Board Meeting Calendar for 2009 and set the contribution rate, effective July 1st 2009, at 9.40%

Steve Ramos
ASRS committee chairman