

Another Threat to ASRS?



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In the past few years AEA-Retired has watched as the state legislature has systematically enacted major reforms to the **non-ASRS** state pension plans in Arizona.

In 2012, then State Treasurer Ducey completed a study of 401k-type defined contribution plans. The study gave the 2013 legislature the political cover to close the defined benefit Elected Officials Retirement Plan. EORP is now the Elected Officials' Defined Contribution Retirement System, with the state annually appropriating \$3.5 million from the state general fund until 2043, to pay off the unfunded liability in the old plan. Newly elected officials now have a less generous and higher risk 401k-type plan.

In 2016, the legislature, the Governor and his Koch brothers political ally The Reason Foundation, took on reform of the Public Safety Personnel Retirement System. PSPRS covers all law enforcement personnel and firefighters statewide. The plan had accumulated \$6.6 billion in unfunded liabilities. The reform offers new public safety hires a choice of retirement plans, either a 100% 401k type defined contribution plan or a defined benefit hybrid plan that includes a defined contribution component. The PSPRS liability will be paid by

offering a less generous plan and shifting some market risks onto new employees who will now equally share the cost of the plan.

In 2017 the state, again with the help of the Reason Foundation, passed a bill to reform the Corrections Officer Retirement Plan or CORP. The CORP pension reform plan is expected to shift approximately 90% of new hires into a defined contribution retirement plan. To reduce the unfunded liability, employees will see a less generous plan that shifts market risks onto plan members.

Next year, the 2018 legislative session will see only ASRS left standing, as a pure defined benefit public employee pension plan. Heading into the next fiscal year, ASRS is experiencing returns on investments exceeding 10% and has a funded ratio of about 77%. **This means that ASRS remains one of the best defined benefit public pension plans in the country.**

I do not believe the legislature is done with major pension reform and will eventually come after ASRS.

This year AEA and AEA-Retired supported Senate Bill 1178 which would have placed statutory protections into law, ensuring that any liabilities incurred by a participating employer leaving ASRS, are not transferred onto all other employers and employees remaining in the ASRS. The bill stalled in the Senate and later used as a striker. ASRS plans to introduce it again next year.

If introduced, Julie Horwin, President of AEA-Retired and myself, Steve Ramos, will call on you to contact your legislators to add your support for this bill.