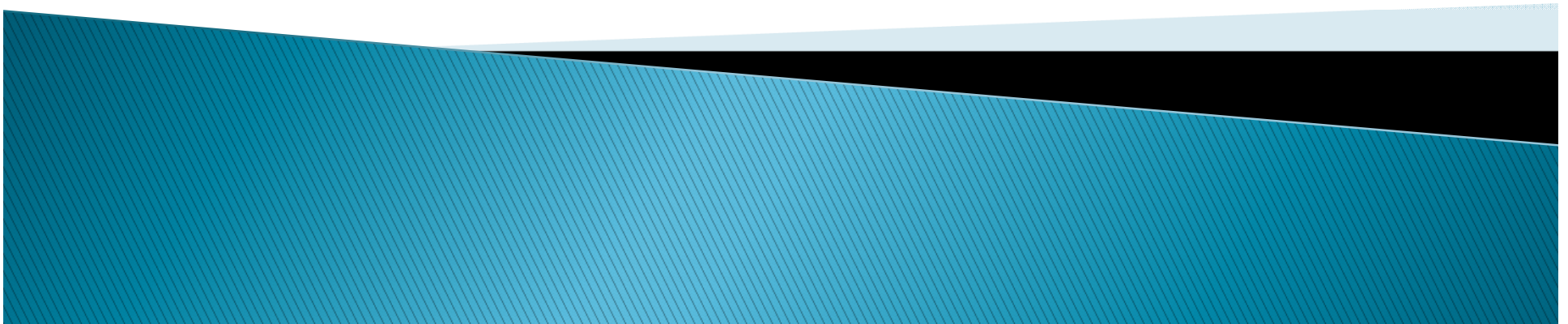


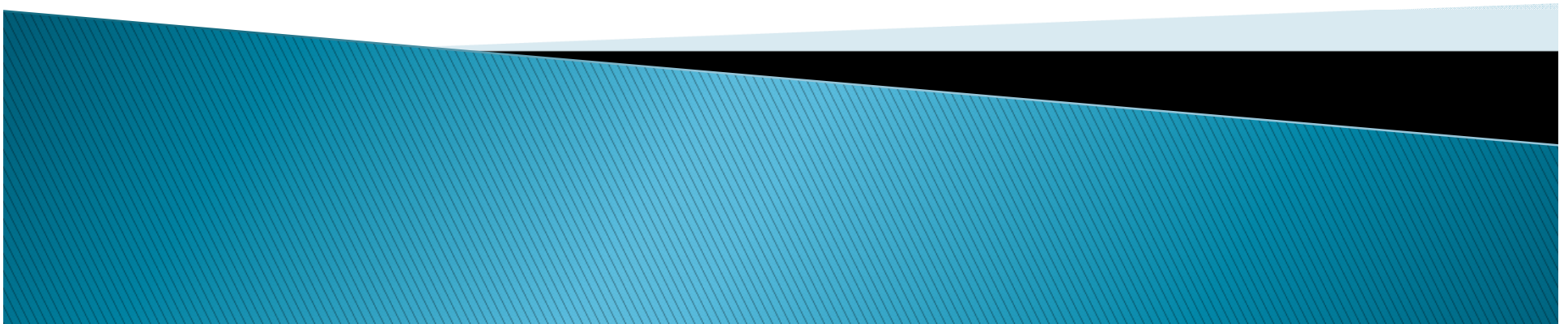
Taking Aim at the Wisconsin Retirement System (WRS) 2.0

What you need to know to defend the WRS
and your pension



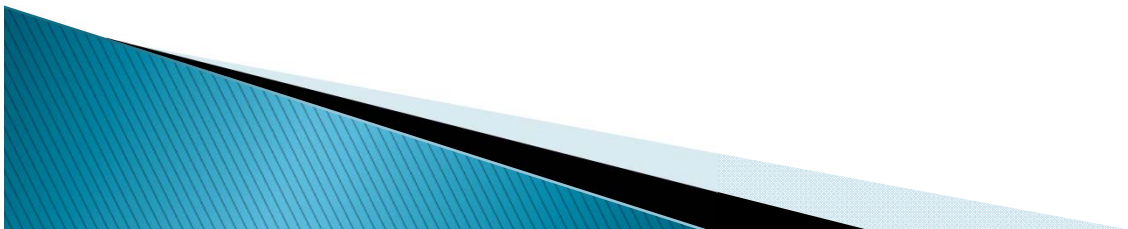
Presenter: Susan McMurray
AFSCME Wisconsin
Government Relations

February 9, 2012



Agenda

- ▶ News on retirement legislation
- ▶ Report on Act 32 study of the WRS
- ▶ Potential harm to the WRS and your pension
- ▶ Facts about the WRS and labor's role
- ▶ Pension language
- ▶ What are unions doing to fight back?
- ▶ What you can do



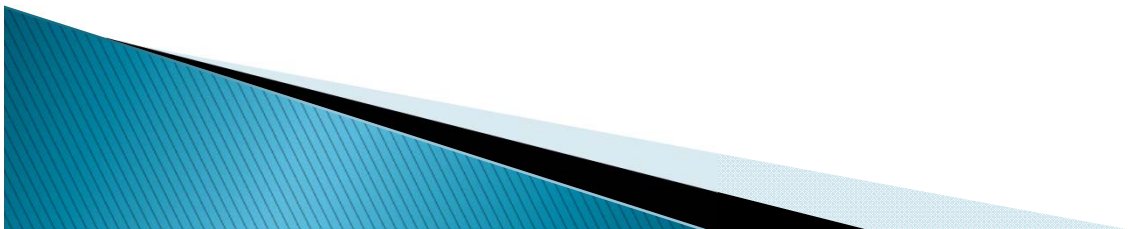
Just in! Update on the UW System Optional Retirement Bill

- ▶ Feb 7, 2012 – Rep. Strachota’s bill was introduced as 2012 AB 539
- ▶ Only four sponsors and no Senate sponsor
 - Rep. Strachota (R–West Bend)
 - Rep. Spanbauer (R–Oshkosh) *retiring in 2012*
 - Rep. Al Ott (R– Forest Junction)
 - Rep. Ed Brooks (R–Reedsburg)
 - Rep. Thiesfeldt (R–Fond du Lac)



Oppose AB 539

- ▶ Authorizes UW Board of Regents to establish an optional retirement plan for newly-hired employees
- ▶ Author says only for faculty and academic staff (?)
- ▶ Barred from also participating in the WRS and cannot go back once in
- ▶ All of their pension contributions would go into the optional plan, managed by a private entity



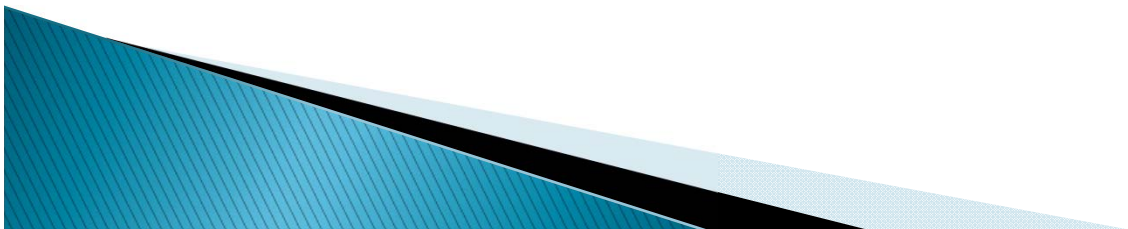
Oppose AB 539

- ▶ All of pension contributions go into the optional retirement plan – employer contribution as well as employee contribution
- ▶ This is “foot in the door” legislation
- ▶ Weaken the financial security of the WRS fund
- ▶ Destabilize retirement funds of actives and retirees
- ▶ Could lead to future hikes in contribution rates



AB 539 is in committee

- ▶ Referred to Assembly Committee on Colleges and Universities, Rep. Steve Nass, (R-Whitewater), chairman
- ▶ 11 member committee – 7 Republicans, 4 Democrats
- ▶ Be on alert if they schedule a hearing!



What you can do to stop AB 539

- ▶ Sen.shilling@legis.wisconsin.gov
- ▶ Rep.billings@legis.wisconsin.gov
- ▶ Rep.doyle@legis.wisconsin.gov

- ▶ Rep.strachota@legis.wisconsin.gov

- ▶ UW LaCrosse Chancellor



What you can do:

- ▶ Email or call your legislator – use full address
- ▶ Rep.nass@legis.wisconsin.gov
- ▶ Rep.knudson@legis.wisconsin.gov
- ▶ Rep.ballweg@legis.wisconsin.gov
- ▶ Rep.pridemore@legis.wisconsin.gov
- ▶ Rep.knodl@legis.wisconsin.gov
- ▶ Rep.farrow@legis.wisconsin.gov
- ▶ Rep.wynn@legis.wisconsin.gov
- ▶ Rep.toles@legis.wisconsin.gov
- ▶ Rep.berceau@legis.wisconsin.gov
- ▶ Rep.pocan@legis.wisconsin.gov



Milwaukee Co Board considering pension changes

- ▶ Jan. 29, 2012 Milwaukee Journal Sentinel story on pension system
- ▶ <http://www.jsonline.com/news/milwaukee/milwaukee-county-looks-at-changing-pension-program-883vgc8-138302209.html>
- ▶ Monitor County Board
- ▶ Unions, retirees in Milwaukee are organizing



The Act 32 Study– what is it?

1. Study the “structure of the WRS” and “specifically address”
2. Establishing a defined contribution “DC” retirement
3. Allowing participants to “opt out” of paying their share of the pension costs (copayments)



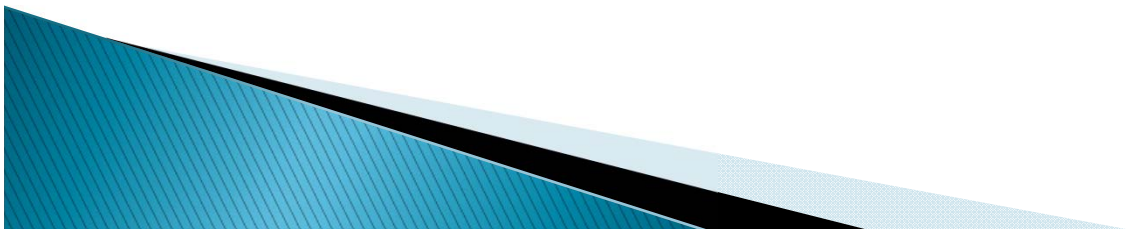
The Act 32 Study

- Department of Administration (DOA), headed by Secretary Mike Huebsch
- Office of State Employment Relations (OSER) Secretary Greg Gracz
- Department of Employment Relations (ETF) Secretary Bob Conlin, who succeeded David Stella in January of 2012



The Act 32 Study – logistics and update

- ▶ ETF is spearheading the effort and has hired Gabriel, Roeder, Smith & Company
- ▶ Actuarial report will be comprehensive
- ▶ Once complete, ETF will present it to the Joint Committee on Finance and the Governor
- ▶ DOA, OSER involvement is unclear



Why is the study a problem?

- ▶ The problem is how the study results might be used by those seeking to dismantle the WRS
- ▶ It mandates the consideration of moving to or establishing a “defined contribution” or DC retirement or 401K-style plan
- ▶ The “opt out” language is bad for workers and the entire system



- ▶ DC plans are a bad deal for workers, who lose the security in retirement
- ▶ DC plans are finite – when the money runs out, that’s it for the retiree
- ▶ Privately managed – *that’s their goal!*
- ▶ More costly to administer



DC plans provide little security in retirement

- ▶ DC plans are unstable, unpredictable and not a good deal for workers
- ▶ DC plans are finite
- ▶ DC plans require the worker to make investment decisions – risky
- ▶ Studies have shown that DC plans are costlier to administer



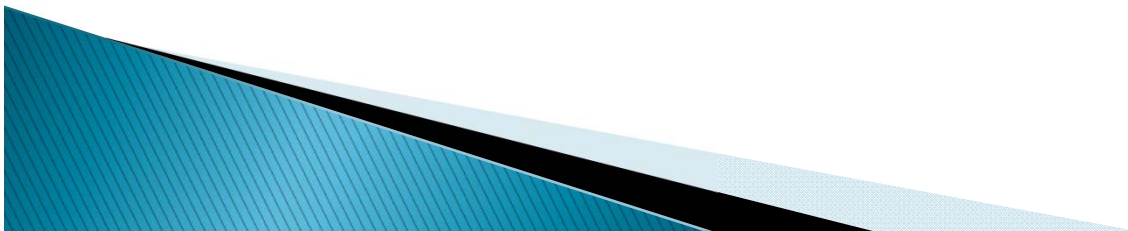
DC plans are costlier to administer

- ▶ In 2003, Gabriel, Roeder, Smith & Company said this about DC plans:
- ▶ “Per dollar of benefit paid, it is less expensive to provide benefits through a defined benefit plan than through a defined contribution plan.”
- ▶ This is the same firm ETF is using for the Act 32 study



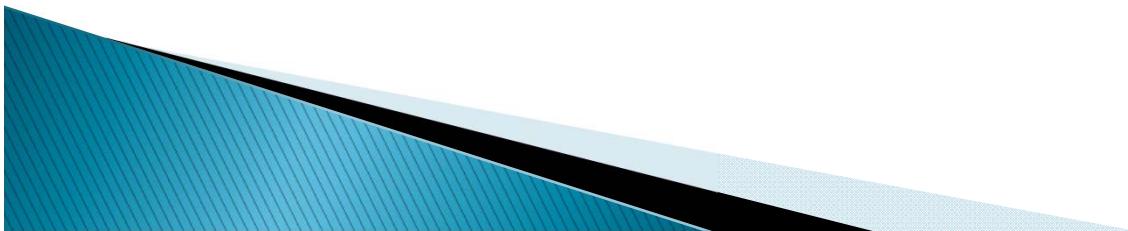
What about that “opt out” language in the Study?

- ▶ Tough times might make this an attractive idea to some workers.....
- ▶ Report by the Legislative Fiscal Bureau on the cost of higher health and pension copayments:
 - ▶ \$50,000/year – 11% of income on copays
 - ▶ \$25,000/year – 16% of income in copays



Why “opting out” poses such a danger to workers and the WRS

- ▶ Think of the WRS as a brick wall
- ▶ Opting out = pulling bricks out of the wall
- ▶ Destabilize the system
- ▶ Cynical, deceptive, dangerous,
- ▶ **DON'T FALL FOR IT**



Study is symptomatic of a larger effort by the right-wing to undermine public pensions

- ▶ Right wing groups and big investment firms have sought to dismantle pension plans across the nation (ALEC, etc.)
- ▶ Succeeded in eliminating pensions in the private sector in favor of 401 K or DC plans
- ▶ Workers lose



Strategy of the right wing

- ▶ Fuel pension envy
- ▶ Pit worker against worker
- ▶ Introduce legislation that tinkers around the edge
 - AB 539
 - Rehired annuitants bills – AB 319, AB 352, audit underway



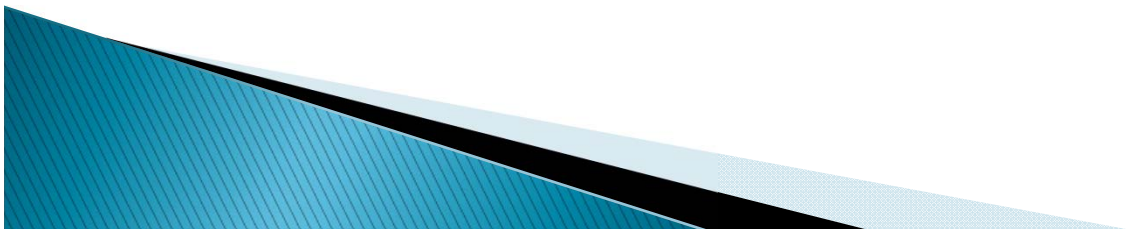
The strategy of the right-wing

- ▶ Focus mostly on states where pensions are underfunded, largely from the failure of leaders to fund their obligations
- ▶ Push fancy new accounting rules (GASB) to justify reducing pensions and benefits
- ▶ Do reports like the WPRI report to lay the groundwork, generate media stories...



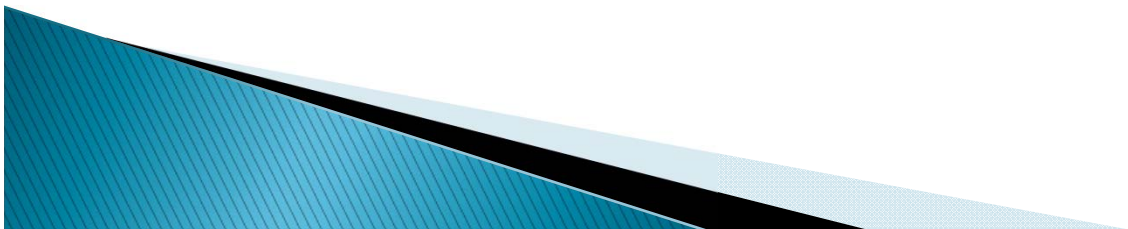
Wisconsin is a target “WPRI”

- ▶ February of 2010, a right-wing think tank, the Wisconsin Policy Research Institute (WPRI), issued a study on the WRS
- ▶ The WPRI director is George Lightbourn, who served as Tommy Thompson’s DOA Secretary and, curiously, is a WRS annuitant himself



Lightbourn on the 2010 WPRI Study

- ▶ Said the WRS has “overstayed its welcome”
- ▶ Said the WRS is “far out of the mainstream”
- ▶ Advised the next governor to bring “radical reform” to the WRS....*Indeed, he did*



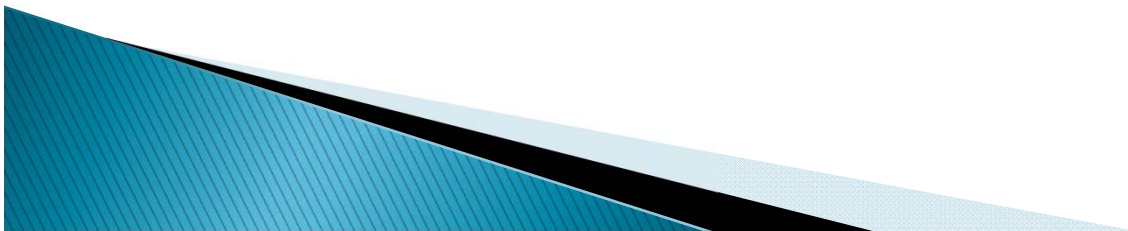
Press statements from the right:

- ▶ “Lavish, Gold-plated Pensions are Making Millionaires of Wisconsin Government Employees” – Taxpayers United of America, September 2011 press release about Barry Alvarez and a few others
- ▶ “We can no longer live in a society where the public employees are the haves and the taxpayers who foot the bill are the have-nots” – Scott Walker



Except for one, pesky detail...

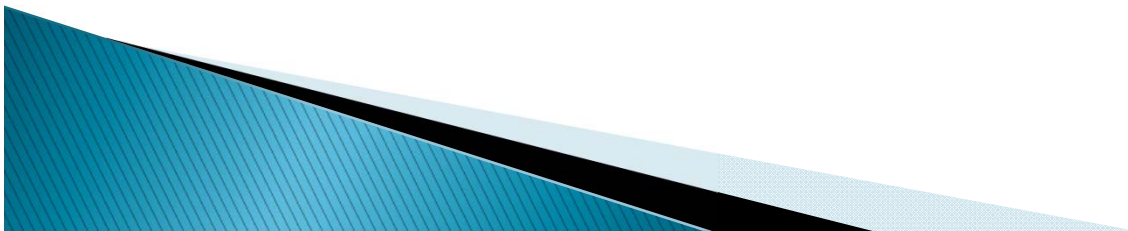
- ▶ The WRS is fully funded and in excellent shape
- ▶ “Fully funded” means there’s enough money to pay your pension and the pensions of everyone else
- ▶ But don’t take my word for it. Here’s what others say about the WRS:



The WRS is strong

“Wisconsin is a national leader in managing its long term liabilities for both pensions and retiree health care and other benefits. It has funded nearly 100% of its total pension bill..”

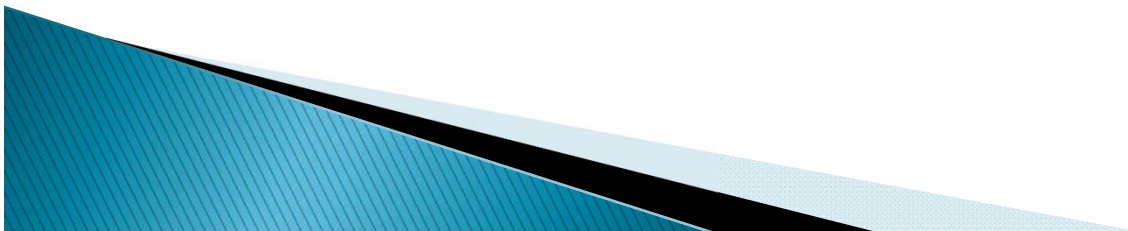
–Pew Center on the States, 2008 report



The WRS is fully funded

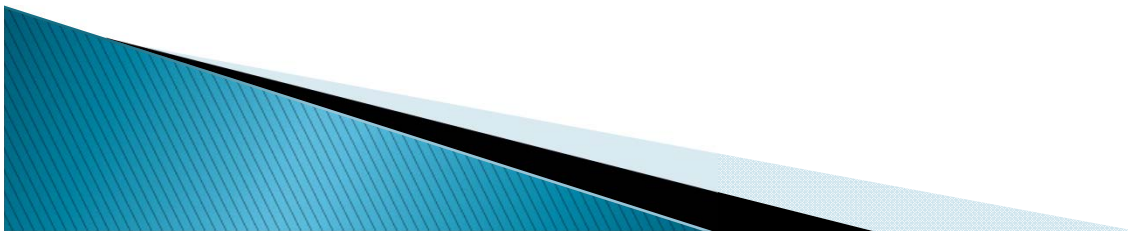
“The WRS is one of the largest and strongest public retirement plans in the nation...the system’s 2006 funding ratio, which measures the degree to which future costs are fully funded, of 99.6% ranked it among the top 10 strongest nationally”

– Wisconsin Taxpayers Alliance, April 2007



The WRS is a model pension plan

- ▶ “Wisconsin’s budget may be in a hole, but the state’s pension system is among the healthiest in the nation. In fact, the Badger State was one of just two states to fully fund its public employee pension in 2009...”
 - – Appleton Post Crescent, April, 2011



The WRS = retirement security

“It’s...disappointing to see the WPRI advocating for slashing benefits for men and women who...protect our communities, teach our children and serve the public...rather than offering solutions to...make sure retirement security is achievable for all.”

- –David Stella, then–Secretary of ETF, March, 2010



Facts about the WRS that you should know

- ▶ 572,000 Wisconsinites are in the WRS
- ▶ 12% of the state's population
- ▶ 20%, if you include their families



average pension is modest

- ▶ Average pension for 2010 is about \$2,000 per month
- ▶ The WRS provides “defined benefit” DB pensions to most participants
- ▶ That is, a *defined predictable pension for life*
- ▶ Pension is based on a formula



Good investments ensure good pensions

- ▶ Approximately 2/3 of pensions paid out each year come from investment earnings
- ▶ Pensions are a form of deferred compensation that workers earned
- ▶ Over the years, unions agreed to limited wage increases in exchange for good benefits
- ▶ It was a better deal for the employer – no FICA, Medicare taxes (Stella reminds us of this)



Who is in the WRS?

- ▶ City, county, village and town elected officials, HR directors, mayors, legislators, teachers, judges, the governor, janitors, CNAs, nurses, police, snowplow operators, fire fighters, corrections officers, foresters, administrative support staff, Barry Alvarez, your chancellor, Biddy Martin, street cleaners, garbage collectors, union members, power plant operators, food service workers....



Governance of the WRS

- ▶ Nonpartisan Wisconsin Department of Employee Trust Funds (ETF) oversees the day-to-day operations of the pension funds
- ▶ Managed by a board – AFSCME member Mary von Ruden sits on the ETF Board
- ▶ Bob Conlin is the new ETF Secretary



Investment of WRS trust fund

- ▶ Nonpartisan State of Wisconsin Investment Board (SWIB) oversees the trust funds – \$79 billion in assets
- ▶ Managed by a board – SEIU member Bruce Colburn serves on the board
- ▶ *Walker appointee was derailed through careful, quiet lobbying efforts in early Jan*
- ▶ Keith Bozarth is the Secretary



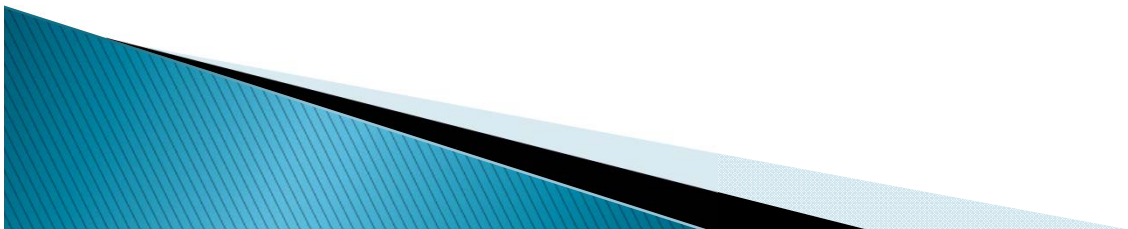
Facts: how it works

- ▶ Investments of the assets are managed mostly in-house by staff who are public employees, with some exceptions
- ▶ WRS participants share in the risk of the investments and are not shielded from economic downturn



Facts: historical context

- ▶ Forefathers built a pension system and wrote a set of laws to provide public sector workers with a modest secure retirement in exchange for their years of service
- ▶ Laws are contained in Chapter 40, Wisconsin Statutes



Facts: Our forefathers understood importance of good pensions

- ▶ *The following language is in the statutes:*
- ▶ Establish equitable benefit standards throughout public employment
- ▶ Achieve administrative savings
- ▶ Promote economy and efficiency in public service, facilitating the attraction and retention of competent employees



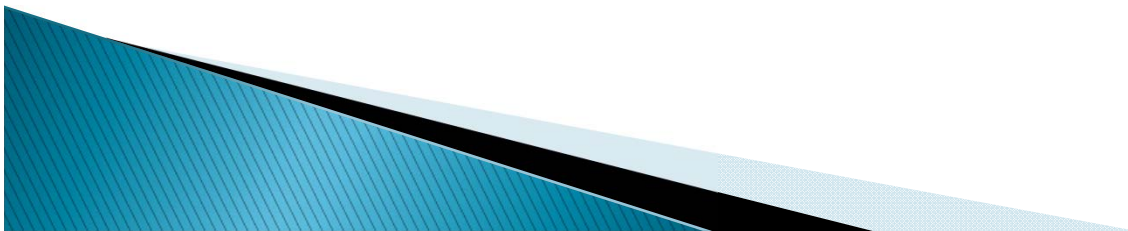
The Romans also understood

- ▶ The Romans knew pensions were important to attracting and retaining soldiers to serve Empire
- ▶ The first public employee pension plan in Wisconsin was created in 1891
- ▶ The modern WRS was created in the 1940s



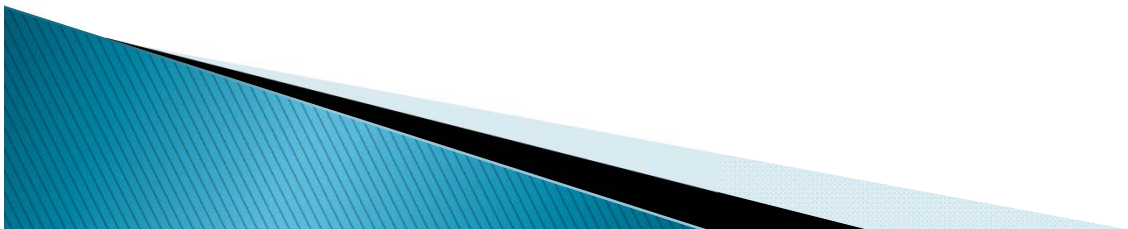
More Facts about the WRS

- ▶ AFSCME's Roy Kubista played a key role in creating and improving the WRS
- ▶ Two Capitol washerwomen helped get the law passed
- ▶ Republican Governor Walter Goodland first vetoed, then signed, the WRS into law in the 1940s



All Workers Deserve Retirement Security!

- ▶ Job-based pensions are key to ensuring economic security in our golden years
- ▶ The WRS provides retirement security in the form of defined benefit plans to most annuitants



How the unions are fighting back

- ▶ All public sector unions are working together AFSCME, SEIU, Fire fighters, WPPA–Police, AFT–Wisconsin, WEAC and the Wisconsin AFL–CIO
- ▶ Alliance for Retired Americans
- ▶ Working with retiree groups
- ▶ National Public Pension Coalition



How the unions are fighting back

- ▶ Organizing forums
 - LaCrosse
 - Milwaukee
 - Madison
 - Looking at Eau Claire, Superior, Oshkosh, Crawford County, other....
- ▶ Arranging for editorial board visits – Friday, February 9 at the LaCrosse Tribune
- ▶ Lobbying team
- ▶ Research team



How the unions are fighting back

- ▶ Great materials are now available on our websites
 - Sample letter
 - Sample resolution
- ▶ Possible Facebook page
- ▶ Teletown hall
- ▶ Preparing testimony



What can you do to save the WRS and your pension?

- ▶ Send an email to the legislators named previously
- ▶ Adopt the resolution
- ▶ Write letters to the editor
- ▶ Go to our websites – in the case of AFSCME, it's www.wiafscme.org
- ▶ Talk to your coworkers, fellow retirees, union members



What can you do?

- ▶ Be prepared to come to the Capitol
- ▶ Arm yourself with information
- ▶ Learn all you can



AFSCME helped craft the modern WRS
back in the 1940s and we are leading
the effort to save the WRS in 2012

THANK YOU!!!!!!!!!!!!!!!!!!!!

