

Make No Mistake: YOUR Retirement System is Under Assault. NOW is the Time to Defend it!

Months of investigation and reasoned analysis by union leaders, retiree activists, and political scientists have led to the conclusion that the Wisconsin Retirement System (WRS) is under assault by Walker and the Republican majority. Really? How bad can it be? ANSWER: Not good and it could get worse!

What's to Gain? Why the assault?

The WRS is under assault for three main reasons:

- Ideology . . . right-wing desire to end large, public benefit programs just like Paul Ryan wants to do at the federal level with Social Security,
- desire to “privatize” public pension programs by changing them to 401-k style programs thereby sending millions in extra fees/charges to Wall Street and investment companies from individual annuitants,
- to undermine public employment and public employee unions because public employees are the last major opposition to the right-wing agenda for Wisconsin. Public employees have family supporting wages and benefits. By pitting public employee benefits vs. private employee benefits; they attempt to “divide and conquer”!
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But the WRS is So Sound and Safe . . .

The fact that WRS is strong, cost effective, is in the top 4 of public pension programs in America, and is 99.7% funded does not matter. It manages about \$77 billion in stocks, bonds, real estate trust funds; \$13 billion of which is invested in Wisconsin. And it doesn't bust budgets! State and local government spending for pension contributions in Wisconsin only amounted to 1.26% of total government spending in 2009.

Where is the evidence of assault?

It began early with the passage of the 2011-2013 State Budget Bill which called for a study to: 1) examine creating a defined contribution plan and 2) determine the feasibility of allowing employees to “opt out” of WRS. The study is due June 2012 and will go directly to the Joint Finance Committee and Governor rather than the legislative committee established by law to review retirement issues. The study may well endorse the above changes as a pre-emptive move to “save” the system from future problems and/or offer employees greater flexibility.

Not wanting to wait, in January 2012, Republican Rep. Pat Strachota introduced AB 539 allowing WRS “opt out” for new University of Wisconsin System hires. What is often ignored is that Rep. Strachota is a member of ALEC (American Legislative Exchange Council), an organization comprised of corporations promoting privatization and deregulation, and she borrowed one of their bills to write AB 539! The Wisconsin legislature is full of ALEC members: Robin Voss, Alberta Darling, Scott Suder, Van Waggard, and Terry Moulton. Scott Walker is a former ALEC member.

WRS is a complicated system carefully crafted over many decades by Republican and Democratic leaders and even small changes like the April 2012 Wisconsin Employment Relation Commission (WERC) ruling on teacher base pay could have an impact. This ruling will reduce teacher contributions to the WRS as school districts would be able to only negotiate over local base wages, effectively reducing teacher salaries by 20% or more . . . and their 5.8% matching contribution.

So, provisions like employee “opt outs”, reductions in contributions , and even changing who gets appointed to WRS governing boards or organizations like the State of Wisconsin Investment Board (SWIB) and Department of Employee Trust Funds (ETF) can all add up and have adverse impacts.

Wouldn't adding a defined contribution option like 401-k be a good idea?

No. The WRS operates as a defined benefit system which means you receive a known and predictable retirement benefit (annuity) guaranteed for a specified period. Defined contributions plans like 401(k) programs DO NOT guarantee a set monthly benefit. “Retirement income” is the money left at retirement meaning annuity payments are directly related to the current value of the portfolio. Market goes sour? So too does your annuity. The WRS has a small Variable Fund that operates like a defined contribution plan. Because of incredibly high volatility, it has been closed to new applicants and, in 2008, annuity values went down 40%! You get much greater peace of mind with a defined benefit program!

The WRS brings great value because of its large volume transactions and low fees reduce management costs to nearly half that of most defined contribution programs. An added danger of defined contribution plans is “risk shifting.” Employers in defined contribution plans are only responsible for their contributions and take no responsibility for annuity outputs; their stability or adequacy . **It is entirely YOUR risk!**

But my annuity is “guaranteed”! My annuity can't drop; can it?

“Yes” it can. You start with a base or floor which, by Sec. 40.19 WI Statutes, it cannot be reduced below. Over the past twenty five years, good performance allowed annuities to expand well beyond base amounts by about 4.6% per year. Unfortunately the 2008 bank-Wall Street collapse reversed this historic pattern, requiring the WRS to deploy one of its best stability tools: 5-year rolling average adjustment. Through 2013, the fund will re-stabilize itself and hopefully begin rebuilding upward again. In 2012, longer-term annuitants saw a 7% drop in their monthly payment. Many saw a reduction of several hundred dollars in recent years, but no one went below their guaranteed floor!

The WRS can self-correct and protect its “floor guarantee”, so long as major market down-turns are not too close together and politicians don't make matters worse with ill-conceived legislation. However, because the WRS is a defined benefit program, to save the WRS from actuarial failure under the most adverse of scenarios, it could be necessary for the legislature to revisit the “floor guarantee” to allow for greater management flexibility.

What can be done to stave off the assault?

Walker and Republicans are clearly showing their desire to change the WRS. Vote for Tom Barrett and Mahlon Mitchell on or before June 5th. If you live in a senate recall area, vote Compas in the 13th, Lehman in the 21st, Dexter in the 23rd, or Seidel in the 29th and support them with help and contributions! Democrats have shown far greater support for the WRS than most Republicans.

Stay informed and work with others. Join an activist organization like the WI Alliance for Retired Americans, WI Coalition of Annuitants , contact your home union, or join a retiree chapter of your union. Contact or petition YOUR representative and senator! Take a delegation to their office and hold them accountable. Also, consider getting involved by signing a petition found at <http://signon.org/sign/save-the-wisconsin-retiremen?source=s.em.cp&r>

This is the time and moment to defend YOUR retirement system!!

For information on WI Alliance For Retired Americans, go to www.retiredamericans.org or call 608-241-1831.

For information on WI Coalition of Annuitants go to www.wicoa.org.

This publication was prepared by Protect Our Retirement System (POWRS). POWRS is a statewide working group of activist retirees and can be contacted at powers2012@gmail.com.