

Preserving Retirement Security: Battles We've Faced, Battles to Come in 2011



*ILLINOIS RETIREMENT SECURITY
INITIATIVE BOARD MEETING*

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NATIONAL PUBLIC PENSION COALITION

December 1, 2010

NPPC National Partners

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National Conference on Public Employee Retirement Systems
The Voice for Public Pensions



AFL-CIO
America's Union Movement



NPPC Objective & Scope

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- Defend defined benefit plans as the foundation of a secure retirement.
 - Track early warning signs
 - Support Strategic Assessments & Coalition Development
 - Support Defense Initiatives, Member Education & Mobilization
 - Develop & Disseminate National Messaging
 - Synthesize & Distribute Research

The attacks have escalated

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- Attacks are broader & better orchestrated
 - Broader attacks on Government & Public Employees
 - “The new privileged class” myths abound
 - Anti-worker, anti-union populism
 - Focus on extremes rather than common benefits
 - “The next bailout” and bankruptcy rhetoric
 - Increased federal interest in funding, accounting, reporting & disclosure
 - *More states have enacted significant retirement legislation in 2010 than in any other year in memory. Ron Snell, NCSL*

Recent Headlines

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Arizona pension system becoming a soaring burden

(8 part series) Arizona Republic, November 2010

Public employee pensions are no longer sacred

Washington Post, October 6, 2010

Purported obstacles to switching public pensions to defined contribution plans are illusory. The False Obstacles to Pension Reform

Josh Barro, October 5, 2010.

20 Government Workers with Super-Sized Pay

Bob Sullivan. MSNBC, October 5, 2010.

The Trouble with Public Sector Unions

Daniel Disalvo. National Affairs, Fall 2010.

Recent Headlines

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Actuarial tricks allow public pension plans to claim savings upfront while deferring costs. The Illusion of Pension Savings.

Mary Williams Walsh. New York Times. September 18, 2010.

How Pensions Can Get out of the Red

Richard Riordan and Alexander Rubalcava. New York Times, September 15, 2010.

Public Sector Workers are the New Privileged Elite Class: Outrageous pensions, and inherent corruption are enraging private sector America

Mortimer B. Zuckerman. September 10, 2010.

The landscape reflects

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- Extreme fiscal conditions in many states
- Election outcomes have dramatically changed chambers
- Prolonged economic effects of the recession
- Concerns about the viability & sustainability of public pension systems over time
- Investment losses have given way to the need for increased contributions
- Uncertainty related to reporting & disclosure, tax treatment and federal oversight, elections and legislative control

Threats to Retirement Security

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- DB changes: “Work longer, pay more, get less”
 - Colorado, Illinois
- DC & Combination plans with reduced adequacy
 - Utah, Michigan
- Retiree specific reductions—colas, retiree health
 - New Hampshire

Threats to Retirement Security

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- Growing Retirement insecurity in the Public Sector
 - \$6.6 trillion Retirement Income Deficit (Retirement USA)
 - Few DB plans in private sector (21%)
 - 1/2 don't have or don't access employer provided savings plans
 - High fees & stagnant or plummeting account balances
 - Increased insecurity about ability to retire
 - 1/3 will rely solely on Social Security
 - Average 401(k) account balance was \$45,519 in 2008 (year end balance for latest year available) and the median account balance was \$12,655 (EBRI). 3/4 had account balances lower than the average. 46.5 % had balances below \$10,000.

State Legislative Changes 2006-2010

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- Mainly changes for new hires-benefit reductions & increased contributions
 - increased retirement ages, changes to age and service credit requirements , vesting, reduced multiplier, longer FAS, capped or eliminated cola and capped maximum benefit (% and \$ limits)
 - EE contributions (formerly non-contributory) & Contribution rate increases (EE and ER)
- Reduced/eliminated COLAs, Retiree Health
- “Unjust enrichment”, Return to Work
- DC plans, Combo plans
- Commissions, task forces & interim committees

On the Horizon: 2011

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- Election will likely have dramatic impact on mindset of legislating bodies
- State and local budget shortfalls are expected to be more pronounced
- Broader revenue measures may be unlikely
- Federal stimulus dollars exhausted, additional infusions in doubt
- Continued pressure to “reform” public pensions is anticipated (SEC, municipal bankruptcies, bond market “bailouts”)

Anticipated Legislative Action

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- Arizona
- California*
- Connecticut^
- Delaware
- Florida ^
- Iowa
- Illinois*
- Kansas*
- Maine
- Massachusetts*
- Maryland*
- Montana*
- Missouri
- Nevada*
- New Jersey
- New Hampshire*
- New Mexico*
- North Dakota
- Ohio*^
- Oklahoma*
- Pennsylvania^
- Rhode Island*^
- Texas
- Wisconsin

*Coalition in place
^ local fights

Resources

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- **NCPERS Toolkit**
 - http://www.ncpers.org/Files/public_pension_defense_toolkit.ppt
- **NIRS Primer**
 - http://www.nirsonline.org/storage/nirs/documents/nirs_pension_primer.pdf
- **NRTA Pension Education Toolkit**
 - Contact Dara Dann, ddann@aarp.org

For more information

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