

At least our pensions are safe – Aren't they????

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As many of you know, Governor Walker has commissioned a study to see how the WRS could be privatized. This decision to change what is arguably the most secure pension system not only in this country but in the world threatens the future of annuitants, as well as actives.

There's an old saying, "Don't fix what ain't broke," and our pension fund "ain't broke." It is fully funded and there is absolutely no justification for privatizing and converting it to a system of social insecurity -- a system which threatens the security of both current and future annuitants.

In order to fully understand the dangers of Walker's proposal, you need to understand how the current system works. Each year actuarial studies, based on a number of assumptions, determine the funding necessary to maintain full funding of the system. Whenever there are anomalies which challenge those assumptions, the contribution rate is adjusted to maintain full funding.

For example, when the QEO was implemented, salaries for all public employees remained flat. As a result, assumed salary increases did not occur, pension payments based on final average salaries were less than anticipated, and less money was needed to fully fund obligations. As a result contribution rates were lowered.

Another anomaly occurred last year when record numbers of public sector employees retired earlier than anticipated. This trend was especially apparent among technical college and university employees who ordinarily retired later than other groups. This tended to be the case because these employees, where advanced degrees and/or private sector experience were required, tended to enter the system later and worked longer to get the years experience necessary for full retirement.

So what is the impact of this anomaly? As people at the upper end of their salary ranges retired they were replaced by employees at entry level wages or not replaced at all when many positions were left vacant. This meant more money paid out in pensions and less money coming in. As a result the contribution rate was adjusted upward, thus ensuring continued full funding.

However, there is another assumption that is sure to be tested. An actuarial study from several years ago indicated that people who retired early added two years to their life expectancy for each year early they retired. Assuming this holds true, privatization of the system of the system would virtually guarantee an unfunded liability in the future.

The two obvious options would be to reduce pensions or ask the legislature for money to subsidize pensions. Which do you think is most likely to occur?

Another provision the committee is asked to study is how to make contributions voluntary with an employer match.

Unfortunately many young people, burdened with college debt and young families, may not be willing or able to make contributions. In fact, many current employees with declining wages and increased costs of living, may find it more difficult to continue to make full contributions. Of course with no voluntary contributions, there is no match thereby reducing the state's cost. But what happens to future generations without adequate pensions to provide for their retirement needs? We must not allow the state to abdicate its responsibility to those dedicated people who have devoted their lives to public service.

Privatization of the WRS would enable the Governor to virtually eliminate the ETF and SWIB employees and contract those roles out to money managers. Doing so could well generate as much as 500 million dollars or more in management fees annually, doubling current costs. This windfall is sure to generate generous campaign contributions for the Governor.

Moreover, without adequate oversight, the future of everyone's retirement account could be in jeopardy. Many remember the state's experience with the early 529 accounts where many people lost money they had invested for their children's education. We simply cannot allow the Governor's blatant attempt to create a money train at our expense to finance his war on public employees.

Governor Walker's attempt to convert the WRS to a privatized, defined contribution plan is like an onion with many layers. The more you peel away the more it stinks. Destroying a pension system that clearly "ain't broke" but serves as a model for others makes no sense. It simply provides an ongoing money train, using your money to support Governor Walker and his Wall Street cronies.

Your Union Local can provide you information on how you can help to protect your pension system. You can also obtain the most recent information on this and other battles by visiting the website at <http://wi.aft.org/retirees/>. It will be essential that everyone work together to halt the money train and prevent this hemorrhaging of our retirement fund by those who clearly do not have our best interests in mind.