

Where do they stand on pension benefits— Governor candidates' positions on pensions

The following positions were taken from the responses given at a debate sponsored by the Twin City West Chamber of Commerce in August.

DFL candidate Mark Dayton said government has an obligation to provide secure retirement benefits to its workers, even if some adjustments to payouts and contributions are needed.



Republican Tom Emmer and Independence Party candidate Tom Horner called for changes that would move the state from the defined benefits payouts of pension plans to 401k-style plans found in the private sector. Under these 401-k style plans, employees contribute a certain amount, but payouts depend largely on investment returns.

DAYTON: “People who work all their careers in the public sector, they don’t make a lot of money in total and they don’t have a lot of retirement income, but they have secure income,” Dayton said. “They bargain for those retirement benefits . . . To denigrate people because they want retirement security is really misguided.”

EMMER: “They [public employees] get the guarantee of their future, while the rest of us, if we’re lucky enough to have a 401k plan, are watching it ride the rollercoaster of the market and we’re either delaying retirement or we’re wondering if we’re ever going to be able to retire,” Emmer said during a debate sponsored by the Twin West Chamber of Commerce at General Mills.

“Not only do our public employees make on average 30 to 40 percent more than private sector employees in the same positions — similar positions — but then they have health care insurance that’s gold-plated health care, while people in the private sector are lucky if they keep [it]. And then you get to the pension aspect,”

HORNER: Horner said the state’s younger workers should transition to a defined contribution plan — though the government should not “pull the rug out from under” older workers. Overall, he said the pension solution will come from a combination of higher employee contributions, lower benefits, and higher taxes.

Economic and demographic pressures impacting pensions

As state and local governments struggle to stabilize budgets public pension have come under increasing scrutiny. Public pensions have been in international, national and local headlines daily and this is an election year so candidates will be listening and reacting to what they hear.

After the recent disastrous recession, public employees can expect an assault from several directions. There is little support from private employees who have had their pension plans eliminated or who saw their 401ks nearly disappear. Retirees who have been living on 401k type plans that have been drastically reduced are struggling to make ends meet. Unemployment is continuing to plague the economy and the recovery is expected to be a slow one. State and local governments faced with large holes in their budgets must weigh cutting services against paying into underfunded pension plans.

Pension issues have gained the attention of such notables as Bill Gates, the Wall Street Journal and the New York Times. Articles in both newspapers have cited the problems of underfunded pension plans in many states.

At an Aspen Institute Ideas Festival this summer, Gates made the following observations. Undermining public education, he said,

is a system that channels too much money to pensions for retired teachers. He predicts that state and local governments will have to lay off 100,000 active teachers in the next couple of years. Gates went on to say that a big part of the problem is “fraudulent” state budgeting systems, which fail to accurately account for the cost of pension promises. A legislator who “says ‘yes’ doesn’t feel any pain at all,” he said. Thus the “accounting fraud” that lets politicians treat generous teacher pensions as a free lunch rewards them for spending more on retired teachers than on current students.

Traditionally, the promotion of public pensions has been a Democratic party posture, supporting employee unions who promote job and retirement security with defined benefit (DB) plans. Republicans were typically associated with free-market approaches and corporate solutions, aligning themselves with the Chamber of Commerce in support of 401(k)-like defined contribution (DC) plans. This is playing out in Minnesota and in many other states where there is a need to shore up public pension funding.

Minnesota had a 30 percent jump in workers who turned age 62 in 2008 when compared to the previous year. As these individuals prepare for retirement the Minnesota and the United States

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From President, Jay Ritterson

From terrific trifecta to terrible Tsunami

In 2006, 2008, and 2010, the Minnesota legislature supported teachers by enacting legislation that constitutes a *Terrific Trifecta* to make our pensions more secure and sustainable:

- In 2006, they passed the MTRFA-TRA merger bill that was a monumental win and a huge sigh of relief for Minneapolis teachers who were part of a fund that was fast running out of money.
- In 2008, the legislature merged the post fund and the active fund of TRA and all public employee funds in MN. That “just-in-time” legislation saved retirees from hanging out all by ourselves.
- In 2010, the legislature passed the Public Employee Sustainability bill, sometimes call the “pension fix.” It increased contribution rates for actives and suspended cost-of-living increases for retirees for two years..

Committee of Thirteen lobbyists Rose Hermodson and Louise Sundin added their skill, energy, and know-how to the team of public employee pension advocates to make it all happen. We are one of a very few public employee pensions where benefits are not being wacked . . . yet . . . by their state legislatures and governors. (See the article about state responses to pension crisis).

However, just when we thought that we could exhale, drop our shoulders, and breathe normally again, we see and hear that public employee pensions of every stripe in every state are seriously under the gun. The corporatists and the conservatives have our pensions in their cross hairs. The onslaught of articles and slanted studies has just begun but it promises to be a *Terrible Tsunami*

of attack. They want to change our pension plans to defined contribution plans instead of the defined benefit plans we have now.

If it were only the business and corporate types it wouldn't be so dangerous. But, the tide has turned and is rushing back to shore to drown us in misinformation, and fanning the flames of jealousy among other workers. It used to be that unorganized workers would silently cheer on the organized workers, particularly the public employees, because our benefits and pensions would set a high bar for private sector workers. Now the attitude has become, “We don't have benefits and pensions so you public employees shouldn't either. And, you are just burdening me with more taxes to pay for them.”

So, we have to put on our social justice hats, gird our loins for one more big campaign, and ORGANIZE ourselves to fight back. Nothing is ever won forever. Every generation has to recapture the hill or take the beach. It seems that our generation has to capture the hill twice in our lifetimes and defend the beachhead as the tsunami rolls back in to prevent ourselves from being rolled over.

You will have the opportunity to get involved but it all starts this November 2nd. Be sure you are supporting candidates for state offices, particularly governor, who support the continued health, security, and viability of public employee pensions. (See article on Pension Positions of Gov. Candidates). Make your vote count. We do not want Defined Contribution pensions. We must maintain our Defined Benefit plans. Vote to protect your future—it's your pension. ■

Social Security fairness

The federal issue that holds great interest to teachers in Minneapolis who are or were on the basic plan is the repeal of the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). MTRFA Basic plan members did not contribute to Social Security through the school district and thus we are labeled ‘non-contributing’. Because of the so-called double dippers label, we are prevented from collecting the Social Security to which we are entitled. Under the GPO, most are not able to collect a spousal or survivor's benefit either.

Under the WEP, most will not collect the full Social Security to which they are entitled and may be reduced by as much as a 50% penalty collecting only half of what they should get. The issue of penalties and repeals has been dealt with in previous C of 13 articles, but it is the topic now because this is the 75th anniversary of Social Security, and in December Congress will be looking at Social Security.

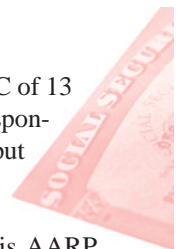
Also, on Dec. 1 the report by the National Commission on Fiscal Responsibility and Reform will be presented and Social Security is one of the issues. This Commission is stacked by appointees who are not friendly or sympathetic to workers. One benefits expert from the AFL-CIO said workers should “be afraid of this com-

mission—be very, very afraid.” In the past, the C of 13 has helped with the repeal effort by getting co-sponsors or writing compelling testimony, but the input of ALL is still needed.

One organization that needs to be contacted is AARP. AARP in 2006 was the #2 overall spender for federal lobbying (a major force, only behind the US Chamber of Commerce) spending more than \$23 million on federal lobbying efforts in that year but spent **Zero** toward the repeal of the WEP/GPO.

The AARP, which is supposed to represent senior America, “to date has **NOT** taken a position to support the repeal of the WEP/GPO provisions. They have **NOT** acknowledged the serious financial harm these unfair and unwarranted provisions have on large numbers of retirees and their families.”

There are some 300,000 retired teachers nationwide who are experiencing these penalties and many more will join this number in the near future. ALL WHO ARE MEMBERS OF AARP WHETHER AFFECTED OR NOT SHOULD MAKE THEIR VOICES HEARD ON THESE ISSUES. Social Security and Medicare are two areas in which you should not use the term “I thought.” Be informed so that “You know.” ■



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generally are experiencing a slowing of the growth in the labor force. This is also true globally with Europe and Japan actually experiencing declines.

Raising the retirement age is seen as one solution to cutting pension costs and in assuring a more adequate labor force. This is being done in several states and France and Greece have done this at a national level. Changing to a defined contribution plan is viewed as another way to handle pension costs. It shifts the uncertainty to the employee making them dependent on volatile market forces.

Teachers and other public employees need to be proactive in this battle to maintain our pensions. This can be done in several ways:

1. Study the candidates' positions and vote your pension pocketbook on November 2.
2. Educate yourself about pensions and be prepared to defend why defined benefit (DB) plans contribute more to the economy than defined contribution (DC) plans.
3. Don't hesitate to talk to others (non public employees) about your concerns. Many do not understand that we are contributing to these plans from our paychecks and will do so for many years.
4. Support the Committee of 13 so you have a voice at the Capitol when these issues come before the legislature.

Wayne Gretzky, the great hockey player, once said, "I skate to where the puck will be, not to where it has been." We need to anticipate what will be coming so that we can be prepared for what lies ahead. ■

Minnesota public pension plan designs to be scrutinized

On September 23 the three statewide retirement systems, MSRS, PERA and TRA, held a stakeholders' meeting for individuals, policymakers, and organizations who may have an interest in a study to analyze Minnesota's public pension plans. The study was driven by concerns over the costs of continuing the present benefit level for public employees and then assuring the plans are adequately funded to pay these benefits. The economic recession created significant losses for all three of the funds which the 2010 omnibus pension bill attempts to remedy.

This initial meeting provided an opportunity for input on the approach, the timeline and the contents to be included in the study. The study was mandated as part of last session omnibus pension bill and requires the executive directors of the funds to "jointly conduct a study of defined benefit, defined contribution, and other alternative retirement plans for Minnesota public employees. The study must include analysis of the feasibility, sustainability, financial impacts and other design considerations of these retirement plans." A report to the legislature is due no later than June 1, 2011.

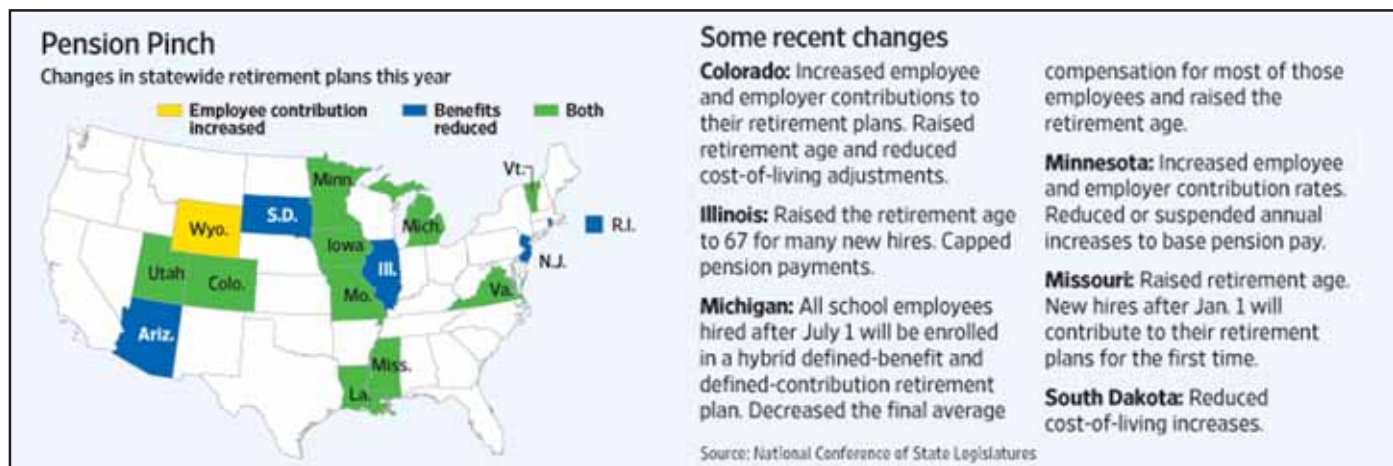
The study approach as outlined at the meeting will identify plan design options and provide a description of the advantages and disadvantages of each option. Criteria that will be used to evalu-

ate each option will include: 1) financial impact, 2) cost predictability, 3) income security/adequacy, 4) risks, 5) investment performance, 6) portability, 7) recruitment/retention and 8) intergenerational issues. The plans will make no specific recommendations based on an analysis of these options.

As part of the presentation the fund directors identified seven options to be included in the study. These options are listed below.

1. Defined Benefit (DB) Plan—This is the current TRA plan design
2. Defined Contribution (DC) Plan—Similar to a 401k
3. Money Purchase Plan—A variation of a DC Plan
4. Cash Balance Plan—Contributions have a set interest rate
5. Hybrid Plan—A blend of DB and DC plans
6. Hybrid Plan with a Floor Offset
7. Hybrid Plan with a Target Benefit

More detail about these seven options will be included in upcoming newsletters. As the study progresses and additional information becomes available it will be shared with you. The fund directors and staff will be developing and analyzing these options using Minnesota information between now and January. Your lobbyist will be following this study closely. ■



No Social Security crisis!



There has been a lot in the news recently about how our government is going to have to make big changes in Social Security to fix the deficit. The Social Security Trust Fund is invested in U.S. bonds in the amount of at least \$2.3 trillion dollars just like US Treasury bonds that China and Japan hold, and unless the U.S. Government is ready to default on its U.S. bonds, the Trust Fund is NOT going broke. The real issues is that the federal government has taken the money Social Security lent it and used it on oil wars, tax cuts to the rich, and bank bailouts, and now business leaders and their politicians don't want to pay Social Security back. But they have to. That's the crisis.

The California Alliance for Retired Americans noted *"The current discussion is supposed to be about US deficits and debt. Social Security has nothing to do with the national deficit or debt. It is totally financed by employee and employer contributions and currently has a \$2.5 trillion surplus, which will grow to \$4.3 trillion in 2024. In 75 years, it has never been in debt, never taken money from the government, and never missed a payment. It can continue to make full payments for another 27 years and 75% payments after that, even if nothing were done."*

Senator Bernie Sanders, Independent for Vermont has been one of leading voices for honesty on this issue. In an article called *Hands off Social Security* released on Sept. 1, 2010 he stated, "The White House deficit commission is reportedly considering deep benefit cuts for Social Security, including a steep rise in the retirement age. We cannot let that happen. The deficit and our \$13 trillion national debt are serious problems that must be addressed. But we can—and must—address them without punishing America's workers, senior citizens, the disabled, widows and orphans. First, let's be clear: Despite all the right-wing rhetoric, Social Security is not going bankrupt. That's a lie!

The truth is that the Social Security Trust Fund has run surpluses for the last quarter century. Today's \$2.5 trillion cushion is projected to grow to \$4 trillion in 2023. The nonpartisan Congressional Budget Office, experts in this area, say Social Security will be able to pay every nickel owed to every eligible beneficiary until 2039."

Sanders goes on to point out that Congress does need act soon to solve its ongoing deficit problem to be able to repay Social Security. He adds, "While the critics profess concern about Social Security's financial future, their fuzzy math ignores the fact that this highly successful program has not added a dime to our deficit. Social Security has more than paid for itself from the day when the first check landed in the Ludlow, Vt., mailbox of retired legal secretary Ida May Fuller on Jan. 31, 1940."

Sanders suggests one fix for Social Security to extend it solvency beyond 2039. Under the law today, the Social Security payroll tax is levied only on earnings up to \$106,800 a year. That means millionaires and billionaires get off scot free on all of their income above that amount. In other words, an individual who earns \$106,800 pays the same Social Security tax as a multimillionaire. He suggests applying the tax to all income levels with no upper limit.

Sanders (I-Vt.) serves on the Senate Budget Committee and you can read his entire article by going to <http://www.politico.com/news/stories/0810/41628.html>. Sixty national and state labor and other organizations, including the AFL-CIO, AFSCME, National Organization of Women, NAACP, SEIU, and the Alliance for Retired Americans are working to preserve Social Security. For more information, go to ssfairness.com <<http://ssfairness.com>> ■

Quote of the month

Pension Plans Under Attack

"The key sources of income that retirees have relied on are either under attack – in the case of Social Security – or disappearing – in the case of traditional pensions," said Ross Eisenbrey, vice president of the Economic Policy Institute, "401(k) plans are not working, and millions of workers have neither a pension nor a 401(k) account. Clearly, the current private retirement system is failing most Americans."



Your Committee of Thirteen

Check the C of 13 website at Committeeof13.org



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SBI Returns, Annualized Periods ending 6/30/2010

	Qtr.	1 Year	3 Year	5 Year	10 Year
Total Fund	-5.5%	15.2%	-3.8%	3.4%	2.9%
Benchmark	5.7	13.5	-3.8	3.3	2.8

2007 -2009 recession has strong impact on 3 and 5 year returns.