

Solidarity in Retirement

Divide and conquer is the method conservatives use to keep people fighting each other rather than fighting for progress. Religion, guns, gay rights, and abortion are classic wedge issues that divide people. These issues create a lot of emotional heat but have little impact on most of us. Governor Walker hoped to use public employee unions as a wedge to divide labor in Wisconsin. He failed. The public support, union and non-union, for the recall effort has been tremendous. Now he is trying to use pension envy to divide us.

Governor Walker is attacking the public employee retirement system. He wants to “study” the possibility of changing Wisconsin Retirement System (WRS) to a *defined contribution* plan and to allow younger workers the option to participate voluntarily. Given that the WRS is in excellent financial health and is *not* a drain on the state budget, the Governor must be promoting these changes for ideological and political reasons.

Why should you care about public employee retirements? Because, similar to killing bargaining rights, Governor Walker, and his conservative backers, will be coming after *your* retirement next. Privatizing WRS is a prelude to attacking private pensions and Social Security.

By attacking WRS, Walker is advancing the national conservative agenda to make individuals responsible for their own benefits, privatize government services, and weaken the social safety net which they have always opposed. This is what is behind the move to 401K retirement plans (called defined contribution), the privatization of Social Security, and individual mandates for health insurance.

Defined contribution plans shift the risk from the employer to the employee. In a defined contribution plans the employer is *only* responsible for providing the employer contribution (if any). They have no responsibility for the final retirement income, its stability, or its adequacy.

With a defined benefit plan, such as WRS, the employer is responsible for making their contribution AND for managing the retirement system to ensure sufficient funds to pay the promised benefits. The risk is with the employer rather than with each individual employee.

Employers love to avoid risk, responsibility, and shift costs to someone else. This is why defined contribution retirement plans are so popular with private sector employers. Of the 67% of employers who offer *any* retirement plans, only 21% still provide a defined benefit plan. In the public sector, 90% of employers offer retirement plans and 84% are defined benefit plans.

Creating strong, stable retirement systems for *all workers* is essential for building a better economy. Instead of dismantling what has worked well in the past, we should be expanding defined benefit retirements, strengthening Social Security, and protecting Medicare for everyone. This is not ideologically acceptable to the conservative reactionaries represented by Governor Walker and his supporters.

Let's consider some facts about the Wisconsin Retirement System (WRS). The Department of Employee Trust Funds (ETF) manages WRS and a number of other public employee benefits for 1470 units of government across Wisconsin. This includes school teachers, city, county,

and state employees. This represents about 572,000 employees and retirees. It is the 9th largest public retirement system in the country. Currently it has about \$80 billion in assets which are invested by the State of Wisconsin Investment Board in stocks, bonds, real estate, and other financial investments.

WRS is not the cause of the budget deficit. Between 2003 and 2009, 80-90% of ETF revenue came from investment earnings. ETF received only \$670,600 in general purpose revenue for 2010-11 out of a \$66 billion budget.

WRS is well managed. It is "fully funded" (99.7%) which means the WRS assets are large enough to cover all expected current and future retirement payments. It is sustainable and not a drain on the state budget.

WRS pensions are not overly generous. In 2010 ETF paid out \$3.8 billion in retirement payments. The average retirement benefit was \$23,800 a year, 83% of WRS retirements yield less than \$40,000 per year, and 26% are less than \$10,000 per year.

WRS is an important contributor to our state's economy. In 2006, WRS beneficiaries (86% of them live in Wisconsin) spent \$4.5 billion, accounted for over 33,000 jobs that paid \$1.7 billion in wages and salaries and over \$730 million in federal, state, and local taxes. In 2010, WRS invested \$13 billion in Wisconsin companies and companies with Wisconsin employees.

WRS is not properly part of the state budget. It is a TRUST FUND. WRS is compensation PAID to employees and set aside for future retirement. Employees DO contribute to WRS from their wages. WRS is not taxpayer dollars available for budget balancing purposes.

So don't believe propaganda about public employees' retirement and benefits. Governor Walker wants to divide the people with good retirements from the people with poor retirements, the young from the old, the union from the non-union, and the public unions from the private sector unions. Pension envy is the next wedge issue on the agenda.

Don't let him divide us. We must work to improve and protect everyone's future by defeating the conservative, reactionary, anti-worker agenda. We can start by recalling Scott Walker. An injury to one is an injury to all.

Written by Phil Anderson, POWRS member and retired union member. 2012