

# Committee of 13 Report

Advocating for your secure retirement

Fall

2011

## Commission questions public pension fund health, will explore future changes

The Legislative Commission on Pensions and Retirement (LCPR) completed its September hearings which focused on three major issues:

The status of Minnesota's pension funds; the costs and benefits of shifting to a defined contribution pension system; and the perceived need to lower assumptions of how much interest Minnesota's pension funds will earn in the future.

Commission Chair **Rep. Morrie Lanning** (R-Moorhead) said the hearings will help "... protect the long term viability of the pension systems so that MN can keep its pension promises to public employees."

**Minnesota's pension fund directors** discussed their progress in improving funding ratios and reducing unfunded pension liabilities.

The positive impact of 2010 "Pension Fix" legislation was emphasized. In addition, **Howard Bicker**, chair of the State Board of Investment, outlined investment returns which topped 23 percent in fiscal year (FY) 2011.

The Commissioners heard a wide range of views on the need to lower the statutory assumption that Minnesota's pension fund investments will

continue to grow by 8.5 percent. Investment board chair **Bicker** presented recent projections predicting 8.36 percent returns. **PERA/MSRS** spoke in support of gradually lowering the assumption to 8.25 percent and then to 8.0 percent.

**TRA** testified in support of maintaining the current 8.5 percent.

**Rep. King Banaian** (R-St. Cloud) argued for his bill that would lower the assumption to 7.5 percent.

**Committee of 13 President Jay Riterson** and Education Minnesota Retired President **Walt Munsterman** testified in favor of maintaining 8.5 percent. **AFSCME** said it is studying the issue and hasn't yet taken a position.

Several Republican LCPR members expressed interest in lowering the 8.5 percent assumption. The Commission will continue discussing the funds' growth assumptions at its October and November meetings.

### TRA: by the numbers

•**73%**: percentage of TRA members who receive less than \$3,000 per month

•**50%**: percentage of TRA members who receive less than \$2,000 per month

•**61 years old**: average retirement age of TRA members

•**24 years**: average number of years TRA members taught in Minnesota before retiring

•**10.13%**: TRA's average annual return over the past 30 years

•**23.3%**: State Board of Investment earnings in FY 2011!

## Commission sets stage for legislative debate on pensions

Minnesota's Republican dominated Legislative Commission on Pensions and Retirement is preparing for the 2012 Legislative Session with a series of pre-session hearings. Commission members

are:  
**Rep. Morrie Lanning**, (R), Moorhead, Chair;  
**Sen. Ted Daley**, (R), Eagan;  
**Sen. Roger Chamber-**

**lain**, (R), Lino Lakes;  
**Sen. Julie Rosen**, (R), Fairmont;  
**Sen. Larry Pogemiller**, (D), Mpls.;  
**Sen. Sandy Pappas**, (D), St. Paul  
**Sen. Phyllis Kahn**, (D), Mpls.;  
**Rep. Mary Kiffmeyer**, (R), Big Lake;  
**Rep. Mary Murphy**, (D), Hermantown; and  
**Rep. Steve Smith**, (R), Mound.

The Legislative Commission on Pensions & Retirement will meet in State Office Building Rm. 5 at:

- 1 PM Wed., Oct. 19,
- 9 AM Thurs., Oct. 20,
- 1 PM Wed., Nov. 19, and
- 9 AM Thurs., Nov. 20.

Ramsey County District

Court Judge Gregg

Johnson ruled in support

of the 2010 pension

reform law which was

designed to restore TRA's

financial stability. That

legislation, along with

other changes, increased

member and employer

contribution rates to TRA

by .5 percent annually for

four years, beginning July

1, 2011. The increases will

stabilize TRA's financial

status and sustain the

fund for future retirees.

TRA posted an (unau-

dated) annual investment

return of 23.3 percent for

the fiscal year that ended

June 30, 2011 -- the best

annual performance in 25

years! TRA has averaged

a 10.13 percent annual

return over the past 30

years.

## The President's column

Jay Ritterson

### *Class warfare turned inward demands action*

Class warfare is the catch phrase of the moment. You'll hear it most often from conservative mouthpieces who attack working people for demanding that the rich and the super-rich pay their fair share of taxes.

More troubling though is the intra-class warfare that turns working people against each other. The anti-union forces in Wisconsin were vocal and disruptive, but far too many working Wisconsinites didn't understand that they too benefitted from their neighbors' union wages and benefits. That widespread misunderstanding gives conservative strategists more opportunities to drive wedges between

working families.

Fewer and fewer of us understand that a rising economic tide fueled by the creation of good union jobs with good benefits, including good pensions, helps lift all workers.

The chaos in Wisconsin has made it clear that even fewer working people today understand that destroying good union jobs harms all workers by driving down wages, making benefits 'optional' and unaffordable and retirement savings a 'strictly personal' issue, tied, of course, to the stock market.

I know that the attacks on unions enrage many

of us and leave us yelling at the TV or tossing the newspaper into the recycling bin. And I am convinced that's exactly what our opponents want us to do. They are fanning the flames of anger, distrust and fear.

Our anger short-circuits our ability to think strategically and deflects us from our century-long efforts to make sure that all workers earn a living wage, have a safe workplace and enjoy a secure retirement. So let's refocus our anger and get back to working to lift all boats—our own and our neighbors. That's

what our colleagues are doing in Wisconsin and Ohio. Here's what I will be doing for the next 13 months to preserve hard won retirement benefits--and influence the 2012 elections. Please join me! Together, we can:

**Combat efforts by the Legislative Commission on Pensions and Retirement to unravel the pension fix legislation passed in 2010;**

**Work with state and national groups to safeguard Social Security;**

**Share facts about Social Security and public employee pensions with our friends and neighbors.**

### Share TRA facts with those who attack public employee pensions

**F**acts about public employee pensions were in short supply during Minnesota's 2011 Regular and Special Legislative Sessions. With lawmakers set to focus on public employee pensions during the 2012 Legislative Session, it's time to talk back when politicians attack your hard-earned pension benefits.

**Remind people that you paid into your pension fund.** Your opponents are trying hard to obscure that important fact. Make sure that your

friends and family members know that you contributed to your pension every week throughout your career.

**Counter the misinformation out there by reminding them that your TRA contributions are tax-sheltered**, but your retirement income is **not**. TRA contributions are tax-sheltered for federal and state purposes when they are withheld from your **salary**, but they are taxable when you receive them as retirement income.

**Visit our website: [www.committeeof13.org](http://www.committeeof13.org)**

# National News Roundup

## U.S. Sen. Bernie Sanders authors bill to save Social Security

Sen. Bernie Sanders, (I), VT, recently announced that he will introduce legislation to strengthen and preserve Social Security.

Sanders would simply apply the same payroll tax already paid by more than nine out of 10 Americans **to those with incomes over \$250,000 a year.**

Sanders cautioned that Social Security may be in jeopardy as Congress looks for ways to cut the nation's budget deficit.

Some politicians are now trying to undermine national confidence in the most successful government program ever by calling Social Security a 'Ponzi Scheme'.

## Michigan Republicans eager to privatize teaching

Michigan Republican Sen. Phil Pavlov, who chairs the state Senate's education committee, is preparing legislation that would allow public school districts to hire teachers through private, for-profit companies.

Michigan Education Association spokesman Doug Pratt says Pavlov's plan is a "terrible idea" that would erode the quality of public school teaching because districts will look for the lowest bidder, not the best teachers. Pratt also claimed this is a way to 'kneecap'

teachers' unions in Michigan. "Privatization is a type of union busting," he said.

Pavlov's plan takes a cue from pro-privatization outfits like the American Legislative Exchange Council (policy center used by US Rep. Michele Bachmann, Texas Gov. Rick Perry and other conservative politicians). *Excerpted from an article by Andy Kroll, a reporter at **Mother Jones**. Email him with tips and insights at [akroll@motherjones.com](mailto:akroll@motherjones.com)*

## The Alliance for Retired Americans works for union retirees

The Alliance for Retired Americans is a nationwide organization with three million members working together to make their voices heard on key issues affecting union

retirees. The Alliance has been a vocal advocate for Social Security and Medicare, and is considered more progressive than AARP, another senior advocacy group.

### Social Security Fairness Action Alert!

**Social Security Fairness** has an important petition at <https://www.whitehouse.gov/petitions> Please sign the petition before Oct. 26!

1. View the petition at: <https://www.whitehouse.gov/petitions#!/petitions>;
2. Follow prompts to create an account;
3. After you receive an email telling you that your account is working, SIGN THE PETITION.
4. This site may be swamped with emails. Please keep trying until you can sign the petition.

Note: The Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP), passed in the 1980s, deny earned Social Security benefits to more than 1.5 million Americans, mostly women.

**The Committee of 13**  
Advocating for your retirement security

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## Oct. 18 Special Elections in Mpls. & Brooklyn Park

A Special Election on Tuesday, Oct. 18 will fill vacancies in Minnesota Senate Districts 46 (Brooklyn Park and Brooklyn Center) and 61 (South Minneapolis).

Candidates include: **Chris Eaton (DFL)**, a member of the Minnesota Nurses Association, businessman **Cory Jensen (R)** of Brooklyn Park and **Tom Reynolds (IP)** of Brooklyn Center. The District 46 seat became vacant following the death of DFL stalwart **Sen. Linda Scheid**. Before her death, Sen. Scheid and her family urged Eaton to run for the District 46 seat.

**Rep. Jeff Hayden (DFL)** won the District 61 DFL Primary to succeed Berglin.

Known as a Senate champion for affordable health care for all Minnesotans and one of the architects of MinnesotaCare, Berglin resigned last summer after nearly 40 years as a legislator.

District 61 candidates also include Republican activist **Bruce Lundeen**, Green Party candidate **Farheen Hakeem**

and Independence Party candidate **Matt Brillhart**.

If Rep. Hayden wins the Senate seat in the

strongly DFL district, a special election will be held to fill his House seat.

**“It’s only through grass-roots organizing and activism that the voices of average Americans can be heard above the roar of corporate and Wall Street money.”**

**Robert Reich, former US Secretary of Labor**

## Tension over pensions in St. Paul

As reported elsewhere in this issue, Minnesota’s Legislative Commission on Pensions and Retirement is shifting into high gear.

The Commission met twice in September and will hold four more meetings before year’s end. (See schedule on P. 1)

A much-discussed proposal to lower the funds’ projected annual investment earnings from 8.5 percent to 8 percent was seen as more political than

financial by several groups including the **Committee of 13** and **Education Minnesota Retired**.

The groups oppose the change in part because Minnesota’s pension funds have grown by an average of 10 percent or more a year for 30 consecutive years, making the need for a change questionable, even in today’s unsettled economy.

In Sept. 21 testimony, Committee of 13 President **Jay**

**Ritterson** outlined the **unseen costs** of dropping the earnings assumption below 8.5 percent.

The lowered assumptions, would, Ritterson said:

- raise unfunded liabilities
- force current employees and employers to make higher contributions and
- interfere with the improvements in the 2010 pension fix legislation.

## TRA Board moves to support current pension fund growth assumptions

The TRA Board adopted a motion to maintain the interest assumption at 8.5 percent as the long term (30 to 50 year) assumption for investment earnings growth. The investment assumption should be based on long term, not short-term expectations. Over the long-term, the State Board of Investment (SBI) has achieved returns well in excess of 8.5 percent. SBI’s average compounded annual return for the past 30 years is over 10 percent. The TRA Board is concerned that recent adverse market conditions may be creating an overly pessimistic view of future returns.