



ISSUE BRIEF

November 2017

Public Retirement Plan Members Have the Most to Gain from an Independent Review

There seems to be a good deal of worry out there regarding potential future changes to the Iowa Public Employees Retirement System. There shouldn't be.

The Taxpayers Association of Central Iowa (TACI) has been analyzing Iowa's public pension plans for a number of years. We believe there are serious, largely unacknowledged risks associated with these plans. However, we do not advocate – nor have we heard anyone else advocate -- solutions that would take away this substantial benefit from employees who are already members of these plans.

Contain – Don't Compound – the Risk

To the contrary, we believe that in order to protect the interests of current plan members who are counting on existing plans to pay benefits when due, future employees may need to be placed in a new kind of plan. This is a way to contain risk rather than compound it. Anyone who is currently a member of one of Iowa's public retirement plans should be on board with considering something different for new employees. Their true retirement security may very well depend on it.

IPERS' risk was recently highlighted when a slight downward adjustment was made to the assumption about the long-term return on investment, from 7.5 percent to 7.0 percent per year. This half-point change caused the total unfunded liability to grow by nearly 25 percent, or \$1.3 billion! Contributions must go up and/or benefits adjusted – a challenge that will plague current plans on an ongoing basis no matter what. If these plans continue to grow, there is even more risk.

Take a Deep Breath –And Opt for Long-Term Sustainability

The good news is that most young employees could actually improve their retirement security under an alternative system. Today's entrants to the workforce are much more mobile than has been the case in the past. Half of Iowa's teachers leave before five years of service – which

is two years before they even begin to qualify for any retirement benefits from IPERS. Given this rapid turnover, most teachers would be better off under a more portable plan.

Current members of Iowa's retirement plans should be reassured rather than frightened to see Iowa's retirement plans be independently evaluated for their long-term sustainability. Younger employees should ask whose needs are really being served by the current plan structures, and whether they might be better off with something different. What's not to like about changes that can protect current employees and taxpayers, while improving retirement security for younger workers? Let's suspend our assumption that any change must be bad change, and together look at what might be accomplished for the good of all.

For more information, see our [Citizens Guide to Public Pensions](#).