STOP
Rethink
Go for the Facts

MYTH: *The Indiana Legislature has rendered ISTA ineffective.*

- **TRUTH:** *11th hour attempt to reduce pension benefits defeated! ISTA vigilance prevails.*

  *On Thursday evening, April 25 (the night before the general assembly was set to adjourn), the budget bill writers made public **Conference Committee Report #1 to HB 1001**.*

  By 6:30 PM on April 25, ISTA detected a few pages in the 300-page document that were entirely new and that appeared to restrict the options (effective for a January 1, 2014 retiree) that a TRF/PERF retiree would have.

  Essentially, the language would have required a retiring teacher to withdraw his/her own lifetime savings from the member's Teacher Retirement Fund (TRF) ASA account and invest them with a private vendor at a rate that would have been a fraction of what the state's public retirement system (INPRS) was offering. Additionally, members would be required to pay the administration fees for the management of funds.

This last minute maneuver, if successful, could have cost a member thousands of dollars each year in retirement!

Let's Do the Math:

During a lifetime career in teaching, you might expect to save (round figures)

Today, when you retire you have the option of keeping your ASA funds with INPRS and having INPRS annuitize them and then pay you a total monthly retirement benefit that is the combination of your pension and your annuity distribution (currently about 50% of TRF members elect this option).

INPRS uses a 7.5% discount rate in its annuity calculation which provides about a $725/month ASA annuity payment assuming $90,000 is annuitized. Those payments equate to $8700 per year. Under the proposal found in the budget bill, assuming you retire after Dec. 31, 2013, you would no longer have had the option of keeping your funds with INPRS. Instead you would basically have to roll your ASA funds over with a private investment firm that likely uses a significantly less discount rate. A 3% discount (likely a generous assumption in this market) would amount to a $500 per month annuity payment <u>THAT EQUATES TO $6000 PER YEAR.</u>

THE LOSS OF $2700 <u>PER YEAR</u> ($8700-$6000) TIMES A 20-YEAR POST-RETIREMENT SHOWS THAT THIS PROPOSAL WOULD HAVE COST YOU A TOTAL OF $54,000 PLUS WHATEVER PRIVATE SECTOR ADMINISTRATION FEES YOU WOULD BE ASSESSED.

ISTA quickly set in motion its defense against this measure <u>that had never received a hearing:</u>

- *ISTA members were alerted by early Friday morning (April 26) and asked to make called into both the House and Senate.*
- *ISTA contacted SEN. VANETA BECKER (R-EVANSVILLE) on Thursday evening April 25. By next morning she was educating colleagues inside both the House and Senate.*
- *ISTA contacted multiple Democrats and Republicans in both the Senate and House to ensure that this issue would be discussed in caucus.*
- *ISTA contacted representatives from:*
    - *Lobbyists for Indiana Association of Cities and Towns*
    - *Lobbyists for Association of Indiana Counties*
    - *Lobbyists for Retired Indiana Public Employees Association*
    - *Senator Becker also made a legislative request to the nonpartisan Indiana Legislative Services Agency to verify that this language had nothing to do with the various funds' unfunded liabilities and, in fact, in a small way, would hurt the "unfundedness".*

While the story evolved over the course of the last day, by 6:30pm (24 hours after initial detection by ISTA), ISTA received word that Speaker Bosma had requested the language be removed. The Speaker did indicate that his recommendation was based primarily upon the procedural issues.

PLEASE UNDERSTAND THAT THIS ISSUE WILL LIKELY NOT GO UNADDRESSED IN THE FUTURE!

Stay tuned.

- Truth: ISTA Membership Matters