

## Ward 6 Staff



Steve Kozachik



Ann Charles



Amy Stabler



Diana Amado



Molly Thrasher



# Ward 6 - Newsletter

## Tucson First

August 21, 2013

### Pensions

Recall that this week I'm offering a series of "issues papers" in the run up to next week's Primary election. My intent is to impress on you that your participation in the election is an important way for you to include your voice in how we tackle the issues I'll be addressing. Today, it's the pension system.

No two pension plans are alike. If you're starting one from scratch, you'll have very few retirees receiving benefits, and lots of workers funding the system. That's of course the ideal situation in which to be. But it doesn't last indefinitely. Why? Because if your plan has been in place for a long period of time, the ratio of retirees to current workers doing the funding is reversed. That is, lots of people receiving, and not as many people funding the plan. Given the variations in plan demographics, a one-size-fits-all proposal such as what is possibly headed for the ballot this fall is simply not responsive to the particular needs of a given plan.

Ours is an old plan. And we have both an ethical and legal obligation to continue payments to current retirees. We also have a legal obligation to not diminish the terms of the plan for existing workers. The courts have been clear in saying that each worker's retirement plan is an individual contract that we may not reduce in value without the agreement of each individual worker. That means any changes we make to the pension system have to be very forward looking, making changes that will apply to future workers. There are, however things we can do that comply with the law, and the intent of how current workers' defined benefits are computed. Here's what we've done – and some ideas that I'll want to explore.

We extended the amortization period of the current plan – smoothed out the payment schedule, but didn't really address any fundamental structural issues related to the plan.

We lowered the employee contributions from about 11% down to about 6%. I voted against that as it went in the wrong direction in terms of more fully funding our obligations to current retirees. It was a nice pay increase for current workers, but the pension system isn't the place to be addressing compensation increases.

Right now, both unused vacation and unused sick leave are computed in an employee's formula for future pension benefits. That's called "spiking" and is something we need to either cap, or eliminate going forward.



### Important Phone Numbers

Tucson Police  
Department

911 or 791-4444  
nonemergency

Mayor & Council  
Comment Line

791-4700

Neighborhood  
Resources

791-4605

Park Wise

791-5071

Water Issues

791-3242

Pima County Animal  
Control

243-5900

Street Maintenance  
791-3154

Planning and  
Development  
Services 791-5550

Southwest Gas  
889-1888

Gas Emergency/  
Gas Leaks

889-1888

West Nile Virus

Hotline

243-7999

Environment  
Service

791-3171

Graffiti Removal

792-2489

AZ Game & Fish

628-5376

## Continued: A Message From Steve

The same is true of the sick-leave buy-back system that public safety workers enjoy. They can build up unused sick leave and have it apply (spike) to their pension benefits forever. That's neither the intent of sick leave, nor does it reflect true wages for the purpose of computing pensions.

New employees' pension contributions and benefit levels can be changed – before they're hired, that doesn't violate either the law, or any ethical commitment we've made. We need to hear from our actuaries and other professionals in the field and make changes that will reflect how we can tweak our plan and make it solvent over the long haul.

What we have to be willing to do is to step back and look at what needs to be done for the long term health of the pension system. The ballot measure will simply pull all of the workers who are needed to fund current obligations out of the pool. That means the General Fund picks up the tab, and we're back to cutting essential services that you deserve. You'll hear it said that we need to "stop the bleeding" in terms of the ratio of pay-out to funding. You don't stop the bleeding by putting a tourniquet on the neck of the patient and cutting off the life blood of the system. It'll suck the General Fund dry and while the talking point might sound compelling, it's bad policy. There are better options, and I've outlined a few of them for you.

Remember, too that a part of the underfunded condition of the plan will be self-correcting. That is, as retirees leave the plan (they die – sorry, no graceful way to say it) and we hire more workers, the ratio will begin to skew back in the right direction. We baby-boomers are a part of the problem – it's simple demographics, and those change over time.

We as a governing body must make decisions that show we're taking pension reform seriously and keeping the plan solvent over the years to come. Making the tough decisions to achieve that will also protect our General Fund so we can continue to provide the services you expect from us.

### Upcoming "issues"

Thursday - Economic Development

Friday - Land Use

Monday - Spending Limit Proposition

Tuesday – Advocacy



### Important Phone Numbers

And remember, at 5:30 on the 26<sup>th</sup>, the day before the Primary, I'll be hosting a Council-on-the-Corner meet/greet at



...located at Speedway and Swan. Come and bring your own suggestions on how to address this complex issue. I'm asking questions pretty much daily of our financial folks – I'd be interested in hearing from you as well. As I stated in the opening, there are no one-size-fits-all answers, nor is there a single magic bullet that will solve the underfunding problem.

Sincerely,

Steve Kozachik  
Council Member, Ward 6  
ward6@tucsonaz.gov

Senator John  
McCain (R)  
520-670-6334

Senator Jeff  
Flake (R)  
520-575-8633

Congressman  
Ron Barber (D)  
(2<sup>nd</sup> District)  
520-881-3588

Congressman  
Raul Grijalva (D)  
(3<sup>th</sup> District)  
520-622-6788

Governor Janice  
Brewer (R)  
Governor of Arizona  
602-542-4331

Toll free:  
1-800-253-0883

State Legislators

Toll Free  
Telephone:  
1-800-352-8404

Internet:  
[www.azleg.gov](http://www.azleg.gov)

Mayor Jonathan  
Rothschild  
791-4201

City Infoguide  
[http://  
cms3.tucsonaz.gov/  
infoguide](http://cms3.tucsonaz.gov/infoguide)