

Pension Bill - 3/20/08
By Suzanne Higgins

Studio Intro: Legislators approved a compromise plan during Sunday's special session to allow teachers and school personnel stuck with severely under-funded pensions in their Teachers Defined Contribution plan to switch to the older Teachers Retirement System. Suzanne Higgins reports.

Higgins: It provided the biggest drama of the regular legislative session – the Governor stepping in the 11th hour to stop the passage of a compromise pension bill – insisting on assurances the merger plan would not burden state tax payers or hurt the state's bond ratings on Wall Street. Then late in Sunday's one-day special session – a plan all sides could live with.

Bob Brown: I think it is probably the best we could do and it will meet the needs of those almost 20,000 members stuck in that plan.

Higgins: Bob Brown is Executive Secretary of the WV School Service Personnel Association. Brown says now it's all about educating his membership on the details of the new bill – which he admits, will take effort.

Brown: I have to tell you it's a little complicated. But once we have an opportunity to educate those people I think we are going to have an overwhelming number opt to come back to the system.

Higgins: Architects of the plan are working hard to persuade 75% of TDC members to switch. That's because the compromise bill provides a base benefit equal to 75% of a TRS pension, with options to buy-in for a full pension that will vary, depending on what percentage of TDC participants decide to switch.

So, if more than 65% but less than 75% elect to switch, the buy-in would be the full actuarial cost which could be as much as \$30,000 or more for those closest to retirement age. But if more than 75% switch to the Teachers Retirement System, the buy-in would drop to 1½% of earnings plus 4% interest – dropping the buy-in to a few thousand dollars for those near retirement. Brown says it's easily the better deal for most TDC members.

Brown: The average person in the Defined Contribution Plan has a portfolio value of something like \$30,000. You simply can't afford to retire on that. Frankly most people would need \$350-400K in their portfolio. If they go back in the old retirement system, once again you calculate your monthly benefit based on years of service, final salary, and then there's a multiplier, at least you can take a look and decide this is what I'm going to be able to depend on drawing every month. But you can't do that if you don't have much money, and you have it in the market right now.

Higgins: The Legislature appropriated \$2M for a statewide educational campaign for TDC members - who can elect to switch plans anytime between April 1 and May 12.

For WV PB I'm Suzanne Higgins in Beckley.