



Defined contribution retirement plans

*An idea whose time has come—and gone
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- ◆ **Legislation passed by the Senate** on April 11 and being considered by the House is a **strictly defined contribution plan**. New employees would have no choice but to come in under a defined contribution plan.
- ◆ In the **mid-1960s Nebraska created a defined contribution plan** for its state and county workers. (Teachers and judges stayed under Nebraska's traditional defined benefit plan.) A large-scale study in 2000 **comparing the two plans revealed shocking inequities**: In 1983-1999, defined contribution workers averaged 6% return on their investments—while the state's professional investors averaged 11%. Nebraska promptly dumped its defined contribution system & is playing catch-up with its employees under that system.
- ◆ **In California this spring Gov. Arnold Schwarzenegger** put a pension initiative on the ballot that would switch public employees to a defined contribution plan. But early in April he **pulled the retirement initiative off the ballot**. Next step is to work with all stakeholders and hammer out a reform plan to stabilize public expenditures while ensuring a safe and secure retirement plan for public employees.
- ◆ **In West Virginia**, where newly hired teachers have been under a defined contribution plan since 1991, the **House of Delegates voted on March 31st to shut down that plan** & allow teachers to merge back into the original TRS defined benefits plan. Teachers collectively lost millions of dollars over the past 14 years.

*Before we rush to dismantle our PERS/TRS
retirement system,
let's find out what the real facts are!*