

Proposition 125: State Retirement Plans

By David R. Berman
Senior Research Fellow

Over the past several years lawmakers in Arizona as well as many other states have been concerned with the growing costs of public employee retirement systems and the stability of the systems themselves. Arizona governments have had to grapple with the problems of pension funding shortfalls and underfunded retirement benefits.¹

Proposition 125, a constitutional referral put on the ballot by the Legislature, addresses these problems in regard to the state's Corrections Officer Retirement Plan and the Elected Officials' Retirement Plan.

Under the existing plans, state retirees receive permanent benefit increases based on investment returns and pension checks cannot be reduced even when there are no investment earnings. Under the plan in the proposition, increases will be based on a cost-of-living adjustment each year. Proposition 125 is similar in provisions to Proposition 124, a constitutional amendment proposed by the Legislature relating to the Public Safety Personnel Retirement System (PSPRS) which was overwhelmingly approved by the voters in a special election on May 17, 2016.

Proponents argue that the reform will both save taxpayer money – an estimated \$275 million over several decades, according to the Joint Legislative Budget Committee – and shore up the two retirement systems involved. The proposed change had bipartisan support in the Legislature, with several lawmakers from both parties urging its adoption.

Proposition 125 has the endorsements of the Arizona Chamber of Commerce and Industry and the Board of Trustees of Arizona's Public Safety Personnel Retirement System. There is little if any organized opposition, though some individuals have complained that it means a reduction in benefits to those in the system and will make it more difficult to recruit or retain employees.

Understanding Arizona's Propositions

Arizona voters will be asked to pass judgment on five measures on the ballot in the November 2018 general election. Four propositions call for amendments to the Arizona Constitution.

Two propositions were placed on the ballot by the Legislature, two others through the initiative process and the remaining one via a signature-gathering campaign challenging legislation passed by the Legislature and signed into law by the governor.

As in past years, ASU Morrison Institute for Public Policy examined Arizona's propositions to offer voters independent and nonpartisan assessments based on relevant documents and views expressed by subject-matter specialists and those who support and oppose particular measures.

"Understanding Arizona's Propositions" will provide information on each ballot proposal, how each came about, what it would do if passed, and its likely impact.

Notes

¹ See, for example, Craig Harris, “Study concludes Arizona’s public-safety pension fund among worst-performing in nation,” *Arizona Republic*, April 14, 2017; Brian Tobin, “Unless Arizona lawmakers act quickly, a pension fund for elected leaders will go broke in just nine years,” *Arizona Republic*, March 23, 2018; and Brian Tobin, “A statement from the chairman of the PSPRS Board of Trustees,” July 17, 2017, www.psprs.com/article/a-statement-from-the-chairman-of-the-psprs-board-of-trustees.

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