

Charter school teachers face exit from Arizona state retirement system

By Michelle Reese, Tribune | Posted: Friday, February 3, 2012 5:21 pm

Arizona's charter school teachers could be kicked out of the state retirement system if a proposal rule change by the IRS goes into effect in June.

The IRS is accepting public comment through Monday on the change that would essentially strip charter schools of their status as government groups when it comes to retirement system

participation. If that were to happen, teachers at those charter schools who now participate in the Arizona State Retirement System could be forced to find jobs elsewhere where they would qualify or possibly forfeit what they've got invested, said Eileen Sigmund, president and chief executive officer of the Arizona Charter Schools Association.

According to the National Alliance for Public Charter Schools, close to 95,000 charter school teachers nationwide could be impacted.

"My biggest concern is the unknown. If everything were to pass, worst case scenario is it could affect current retirees. It could affect teachers in the system. It could affect all these people who worked believing their retirement benefits are secure then suddenly the rug is pulled out from under them because Arizona has, for this purpose, carved a specific exception. That's my biggest fear," she said.

Arizona charter schools, by law, are independently run public schools that receive state funding. Since 1994, Arizona has allowed charter school teachers to participate in the Arizona State Retirement System.

The national alliance, as well as state charter groups, is asking that the IRS write a specific exception into the new rule that will allow that to stay in place.

Sigmund said this is stomping down on state rights.

Dave Canella, spokesman for the Arizona State Retirement System, said there are 216,000 active participants in the state retirement system today, including state and municipal workers, as well as public district and charter schools.

A decision by the IRS won't come until possibly June - first it collects input then it issues any modifications to the proposed rule changes. Canella said it's too soon to see what the impact to the health of the fund would be if 12,000 people were to withdraw from it. But he did note that, since the contributions by members are set based on a rolling figure of people coming and going - not a mass exodus - there could be a change to how much members must contribute.