

Protecting Our Pensions

As employees of the **California State University (CSU)** system, represented in collective **Bargaining Unit 4** by **Academic Professionals of California (APC)**, we have always known that although our salaries would realistically not in any way ever be comparable to what is paid for equivalent education and job skills in the private sector, there were some limited non–direct compensation benefits received in exchange for providing years of hard work and dedicated public service. We generally had fairly decent working conditions; excellent health coverage including comprehensive medical, dental and vision care, and perhaps most importantly, the assurance of guaranteed lifetime retirement security which is found only in a “defined–benefit” pension program. Unfortunately, we are now entering extremely unsettling and precarious times, as the few remaining advantages of employment in a public university are being increasingly viewed as “unsustainable” and subject to the shifting winds of political expediency.

As you may know, there have **already** been significant changes in our pension program over the past year as a result of the **2010 California Budget Act** signed by former Governor Schwarzenegger. The language contained in the budget bill and additional “trailer” legislation, affected the retirement benefits of **new California State University employees hired on or after January 15, 2011**. It is important to note that these recently adopted provisions **DO NOT apply to any other CSU employees**.

This legislation effectively “rolled back” the enhanced retirement benefits which were previously established in **1999** under the provisions of **California Senate Bill 400**. **Newly hired** state employees’ benefits are essentially the same as existed prior to the adoption of **SB 400**.

Along with most of our fellow CSU employees, Unit 4 staff members are enrolled in the “**State Miscellaneous, Tier 1**” pension plan: a “defined–benefit” plan administered by the **California Public Employees Retirement System (CalPERS)**.

The table below shows our previously established retirement “**benefit formula,**” which is usually referred to as “**2 Percent at Age 55,**” in comparison with the revised formula that was established under the **2010 Budget Act**.

Retirement Category	Previous Retirement Benefit Formula	NEW Employee Retirement Benefit Formula
State Miscellaneous Tier 1	2% at Age 55 (up to 2.5% at 63+)	2% at Age 60 (up to 2.418% at 63+)

There is also a different time period used for determining the amount of an employee's "final compensation." This so-called "anti-spiking" provision requires that pension benefits for **new employees** is calculated based on the highest consecutive "**three-year-average**" salary, as opposed to the single highest year formula.

Enacted and proposed changes to retirements have been the consequence of a long term erosion of support for public employees in general, and our coveted "defined-benefit" pension programs in particular. Unfortunately, we are experiencing an unfounded and unwarranted backlash from the very people we serve: the tax-paying public who vote. We are in for what may prove to be a very long and difficult struggle (possibly the most contentious that we have ever faced). It is becoming increasingly difficult to look forward to the prospect of entering our "golden years" with the assurance of some small measure of financial security, even though modest by most standards.

Whether we refer to it as "pension tension" or use the psychoanalytic slang term "pension envy," many of those folks in the rapidly eroding middle-class who have seen their 401(k) retirement nest eggs (in "defined-contribution" plans) devastated and even destroyed during the past few years, do not have a great deal of sympathy for public employees, or even a rudimentary understanding of the situation currently faced by fellow workers.

As we all are aware, CSU retirement benefits for Unit 4 staff members are coordinated with Social Security (as are approximately 66% of all CalPERS members). We have a withholding rate of 6.2% for Social Security (in addition to 1.45% paid for Medicare).

CSU employees currently contribute 5% of our gross monthly salary in excess of \$513 (gross income – \$513 x 5%) to CalPERS (this amount is **not** subject to federal and state taxes).

The University also contributes a little over 18% of our monthly gross (again in excess of \$513) to CalPERS. This percentage can change July 1 of each fiscal year based on economic factors. Changes in the employer contribution rate do not have any impact on future benefits.

Our retirement income payments are primarily generated from the return on CalPERS investments, which were negatively impacted by the unprecedented economic downturn of the "Great Recession" following the stock market collapse of 2008 (caused by the ruthless, greed driven machinations and manipulations of an increasingly unregulated financial sector, who experimented with a new version of "casino capitalism" and engaged in high-stakes gambling with our economic future). It is important to note that CalPERS has partially recovered the losses and currently has a "total fund market value" of approximately **\$223 billion**. On the average, out of **every dollar** paid to retirees, approximately **66 cents** comes from CalPERS investment earnings; **21 cents** from the employer's contribution, and **13 cents** from employees.

As was previously mentioned, Unit 4 staff members are enrolled in the "**State Miscellaneous, Tier 1**" benefit plan (with the "**2 Percent at Age 55**" benefit formula) along with most other CSU employees (as shown in the following table).

Eligible CSU Employee Group	Benefit Formula	Employee Contribution	Employer Contribution
Benefit Plan: State Miscellaneous Tier 1			
MPP (M80) Executive (M98) Confidential (C99) Physicians (R01) Faculty (R03) CSUEU (R02, 05, 07, 09) Academic Professionals (R04) Skilled Crafts (R06) Skilled Trades (R10)	2% @ 55	5% of monthly salary, less an exclusion allowance of \$513 for coordination of Social Security	Set annually by CalPERS

The **CalPERS “Percentage of Final Compensation – 2 Percent at 55”** formula uses the state employee's years of service and age (at the expected date of retirement) in order to determine a percentage which is then multiplied by “final compensation” (this would be the average monthly pay for the last consecutive 12 months of employment, or another consecutive 12 month period when the average monthly pay was higher).

A great amount of disinformation (sometimes outright prevarication) has been widely circulated in the print and electronic media (and often spouted by ill-informed pundits and opportunistic politicians) concerning massive numbers of so-called “coddled and greedy” state employees who are retiring at age 55 (or age 50) with 90% or even 100% of their base salary.

If we look at the data objectively and closely evaluate the computed results using the formula as developed by CalPERS, it can conclusively demonstrated that retiring at age 55 with even 80% of the employee’s base salary **just does not happen** for Unit 4 staff members.

It is important to note that the **average “State Miscellaneous, Tier 1”** retiree has **24 years** of public service and retires at **age 61** with a **monthly allowance of \$3,100**. This is really not a whole lot to live on in a very high cost-of-living state.

Governor Jerry Brown has recently proposed a **“Twelve Point Pension Reform Plan”** which is comprised of the following individual proposals:

1. Equal Sharing of Pension Costs: All Employees and Employers

All new and current employees will eventually transition to a contribution level of at least 50% of the annual cost of their pension benefits. The move to a level of at least 50% will be phased in at a pace that takes into account current contribution levels, current contracts and the collective bargaining process.

2. “Hybrid” Risk-Sharing Pension Plan: New Employees

The “hybrid” plan will include a reduced defined benefit component and a defined contribution component that will be managed professionally to reduce the risk of employee investment loss. The hybrid plan will combine those two components with Social Security and envisions payment of an annual retirement benefit that replaces 75% of an employee’s salary. The 75% target will be based on a full career of 30 years for safety employees, and 35 years for non-safety employees.

3. Increase Retirement Ages: *New Employees*

For most new employees, retirement ages will be set at the Social Security retirement age, which is now 67. The retirement age for new safety employees will be less than 67, but commensurate with the ability of those employees to perform their jobs in a way that protects public safety.

4. Require Three–Year Final Compensation to Stop Spiking: *New Employees*

Pension benefits for some public employees are still calculated based on a single year of “final compensation.” Final compensation shall be defined, as it is now for new state employees, as the highest average annual compensation over a three–year period.

5. Calculate Benefits Based on Regular, Recurring Pay to Stop Spiking: *New Employees*

Compensation shall be defined as the normal rate of base pay, excluding special bonuses, unplanned overtime, payouts for unused vacation or sick leave, and other pay perks.

6. Limit Post–Retirement Employment: *All Employees*

Limit all employees who retire from public service to working 960 hours or 120 days per year for a public employer. It also will prohibit all retired employees who serve on public boards and commissions from earning any retirement benefits for that service.

7. Felons Forfeit Pension Benefits: *All Employees*

Public officials and employees shall forfeit pension and related benefits if they are convicted of a felony in carrying out official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits.

8. Prohibit Retroactive Pension Increases: *All Employees*

9. Prohibit Pension Holidays: *All Employees and Employers*

Prohibit all employers from suspending employer and/or employee contributions necessary to fund annual pension costs.

10. Prohibit Purchases of Service Credit: *All Employees*

No longer allow employees to buy “airtime,” additional retirement service credit for time not actually worked.

11. Increase Pension Board Independence and Expertise

Add two independent, public members with financial expertise to the CalPERS Board. Replace the State Personnel Board representative on the CalPERS board with the Director of the California Department of Finance.

12. Reduce Retiree Health Care Costs: *New State Employees*

New state employees will be required to work for 15 years to become eligible for the state to pay a portion of their retiree health care premiums. They will be required to work for 25 years to become eligible for the maximum state contribution to those premiums.

According to a newly released Field Poll, a majority of California voters support Governor Brown's public employee pension proposals and a plurality believe state and local government retirements are "too generous." A little more than half of the respondents (51%) said that Brown's pension proposal "strikes about the right balance."

A number of well-funded organizations have recently launched coordinated attacks on public employees, including **California Pension Reform** which has a website listing retired California government workers who receive pensions in excess of \$100,000; however, they fail to mention the important fact that this database is representative of **only 2%** of all retirees and almost all of these individuals were employed as highly-paid managers and top administrators. California Pension Reform has also filed papers for even more severe pension restrictions that would be **written into the California Constitution**, and thus not subject to any future legislative changes. They plan on collecting signatures (by well-paid signature gatherers) in order to place these initiatives on the November 2012 ballot. We all need to be aware and informed when encountering the signature gatherers at public places and express our legitimate concerns about the potentially devastating impact of these measures on our future retirement security.

It is extremely important to remember that despite what is being stated by our organized adversaries, right now California **does not** have a public employee pension crisis; it has a severe **revenue shortfall** problem. This predicament is the direct result of a steadily eroding tax base, due to the wealthiest individuals and corporations not paying their fair share. **Public employees are decidedly the 99%, not the 1%.**

For several years, APC has been an active member of **Californians for Retirement Security (CRS)** which is an organization of concerned individuals and organizations representing the interests of over 1.5 million public employees and retirees. CRS has been attempting to provide credible and reliable information about our retirement security, including hosting a number of **"Pension Truth Squads"** where average employees attempt to dispel the prevailing myths and distortions about our pension programs. We can all do the same thing by creating our own individual **"One-On-One Truth Squads"** in order educate and inform friends and family members about the importance of a financially secure retirement and the reality of our benefits.

As we attempt to dispel the falsehoods and innuendos about employee pensions with statements of fact, we must recognize that the other side has an "invented narrative" of greedy overpaid (sometimes combined with "lazy") state workers demanding outrageous pensions that will require cutbacks in essential services and eventually bankrupt state and local governments.

We know that this distorted depiction of hard-working and dedicated public employees is patently false and totally outrageous, but unfortunately lurid tales of fiction sometimes carry far more weight and have much more of a lasting impact on voters than presenting factual data. Despite this inherent obstacle, we must take the initiative and endeavor to fight these attacks on working people with all of our energy and available resources. We have no other alternative.

In union, working together to protect our retirement security,

John S. James, APC Vice President