PROFESSIONAL ENGINEERS
IN CALIFORNIA GOVERNMENT

April 22, 2010

Stuart Drown
Executive Director
Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Re: April 22, 2010 Public Hearing on Public Pension Systems

Dear Mr. Drown,

On behalf of the Professional Engineers in California Government (PECG), I would like to submit the enclosed viewpoint for inclusion in the record of the Little Hoover Commission public hearing on public pension systems being held April 22, 2010. PECG represents more than 13,000 engineers, land surveyors, and other related professionals working for the State of California.

The Public Employees Retirement System (CalPERS) is an independent agency which oversees and administers the pension plan for State and many local agency employees. The participating agencies and their employees contribute money to the fund which is then invested to ultimately provide pensions to employees when they retire. Pensions are based on a formula which considers final salary, age at retirement, and years of service.

Opponents of pension plans for public servants have claimed that pension reform is needed because pensions are excessive, governments will go bankrupt, costs will skyrocket and other public services will be eliminated because of high pension costs, all at the taxpayers' expense. None of this true. These are just false claims made by those who want to damage public servants and the services they provide.

The following are the facts:

- The average retiree receives $2,100 per month which can increase by no more than 2% per year, regardless of inflation.

- For every $8 received by a retiree in a pension, $6 comes from investment returns; $1 from employee contributions; $1 from the employer or taxpayer.

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- The employee contribution varies between 5% and 8% of salary. The employer or State contribution varies from nothing to 21%, depending on investment returns. Over a 20 year period, the employee and employer contributions are about equal.

- About one percent of all CalPERS retirees receive a benefit of $100,000 per year or more. CalPERS reports that "they are typically the highest paid senior executives of cities, counties (and) State universities… who worked a very long time before retiring."

- In 1999, Senate Bill 400 made some improvements to the retirement benefits. This was a result of contract negotiations between the Governor and public employee unions whose members had gone four years without a pay raise. The agreements provided improved retirement benefits in lieu of larger raises as part of a package which was overwhelmingly approved by the Legislature (105 to 7) and signed by the Governor.

- A recent report by five Stanford grad students concluded that PERS has $425 billion of unfunded liability based on a recommendation to ignore the historic investment return experience (7.9%) and use a much lower figure of 4.1%. None of these grad students are majoring in pension plans, accounting or investments.

The current pension plan is solid, sensible, and actuarially sound. Those who would destroy the plan have to disregard the facts to make their case. Their destructive proposals should be rejected.

Thank you for the opportunity to include this letter and our viewpoint in the public record. If you have any questions or seek any additional information, please contact Lisa Marie Burcar at 916/446-0400.

Sincerely,

Shabbir Ahmed, President
Professional Engineers in California Government

THE SACRAMENTO BEE
CAPITOL & CALIFORNIA

BRUCE BLANNING | Special to The Bee

State retirement benefits make an easy – and unfair – target

Destroying something worthwhile, such as a pension system, is best achieved by misdirection, claiming that doing so is necessary to help solve a financial crisis or other problem. Calling it "reform" rather than destruction and distorting the facts or being untruthful are the other ingredients in sowing the poisonous seeds to weaken, then kill a healthy, worthwhile program that provides reasonable benefits to retired career public servants.

The California Public Employees' Retirement System, established by law and protected by the vote of the people in a constitutional amendment, administers the retirement plan for state employees and hundreds of local agencies that voluntarily participate. More than $200 billion in investments fund the retirement benefits for current and former employees. The system is actuarially sound, free from those politicians who would like to steal the money to pay for their pet projects. They find that rather frustrating, particularly those who don't like public servants to begin with.

Public employee pension benefits are protected by the state constitution. If you are hired by a public agency and are told that when you retire you will receive a certain benefit, then that commitment must be honored. There is no bait-and-switch allowed with pension benefits. The governor acknowledged this recently in his State of the State speech when he said, "For current employees, these pensions cannot be changed – either legally or morally. We cannot break the promises we already made. It is a done deal." Two days later, he proposed to violate that done deal by asking the Legislature to double the employee payment into the pension plan, which the courts have ruled is just as unconstitutional as reducing the benefits. However, at least for a moment there, he recognized the obligation of the state as an employer to its employees.

Bruce Blanning is the executive director of Professional Engineers in California Government.

If the politicians and public servant-bashers can't raid the money in the pension fund and can't cut pension benefits, then what can they do? Well, they can try to persuade the people to change the constitution, or at least slash pension benefits for future hires. How do you persuade the people when the facts aren't on your side? You say things that aren't true.

Gubernatorial candidates say that pension benefits are excessive and the cost to the taxpayer is too high. The governor's representative, David Crane, says pension costs have risen by 2,000 percent, pensions threaten funding for other programs, the benefits were "a costly mistake with terrible consequences," and it's all the fault of the Legislature. All of that is nonsense, but they keep saying it, the media keep reporting it, and sooner or later, they hope, people will believe it.

What's the real truth about CalPERS? The average benefit for a retired public servant in CalPERS is $2,100 per month. Of that $2,100, only $1 of every $8 is paid by the employer, which means the taxpayer. The rest is paid through employee contributions and earnings on the investments. That means for every retired public employee, the taxpayers provide less than $300 per month for their pension.

Changes to the retirement plan have been negotiated in the past. Future changes, if any, should be achieved in the same manner. As Senate President Pro Tem Darrell Steinberg has said, if the state wants to save money on pay and benefits for its employees, "that means working with the people on the front lines. Don't go around them." Retirement benefits, along with salary and other benefits, belong on the bargaining table to be developed as part of a package.