

CAPSule

E-Mail CAPS at: caps@capsscientists.org

Website: www.capsscientists.org

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Controller's Fiscal Warning



State Controller John Chiang this month issued a lengthy report warning that deferred costs for retiree health care threatens California's fiscal solvency. He estimates the state's unfunded accrued liability for providing health and dental benefits to state retirees is nearly \$64 billion over the next 30 years. That's the present value of health care benefits owed to current and future retirees.

Health benefits for state employees are now paid for on a "pay as you go" basis, with nothing set aside in advance. The lion's share of this expense is picked up by the state employer (currently \$1.8 billion annually). Employees pick up the cost of copays, office visits and other expenses that become due as services are used. All these costs continue to escalate.

This is important because health care is eating up an ever-increasing amount of the state budget – AND the discretionary income of state employees. Governor Brown has proposed that both the state and employees agree to set aside money for this future obligation.

For state scientists, and most state employee groups, this would mean an additional pay cut, and that simply won't work. The state can't justify adding to the deficit by setting aside money for future health care costs, nor can CAPS agree to an additional employee contribution towards health care when salaries are being cut.



Yet, according to the Controller's study, another option is to pre-fund just one-fourth of future needs with an additional \$420 million more than the current pay-as-you-go model. That would reduce the total unfunded liability by \$6.63 billion. Controller Chiang also urged aggressive efforts to contain health care costs by promoting prevention and wellness in health care delivery.

The state's health care program, like its retirement plans, are administered by CalPERS. Retirement benefits, unlike health benefits, are funded in advance based on actuarial estimates. Because of the large asset pool that has grown over time, retirement benefits are paid primarily through

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CAPS Arbitrates Out-of-Class Denials

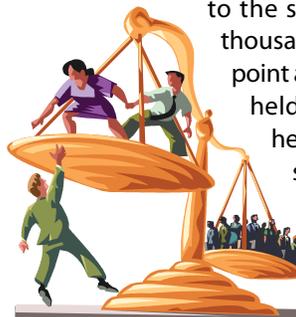


When a state scientist is asked to perform the duties of a higher paid classification for a prolonged period, additional payment may be appropriate. Often a promotion to the higher paid classification follows, especially if the work assignment continues.

In one recent case stemming from the Department of Toxics, that's exactly what happened. An initial stint of out-of-class work over many months was compensated, but wasn't followed by a promotion to the higher – in this case – senior technical level. Another assignment of similar work for nearly two years wasn't compensated, so a grievance was filed by CAPS.

The CAPS MOU defines out-of-class work as doing the full range of duties of another classification performed more than 50 percent of the time. This contract provision allows state departments to recognize the extraordinary effort being made, and to pay for it. But when there is a dispute, CAPS gets involved. Such disputes are usually settled at a low level. When they can't be, these cases are eventually evaluated for hearing and decision by an arbitrator.

At DTSC, a long-time CAPS member has been repeatedly denied payment for work that is pretty clearly Senior level. Toxics was happy to get the work done, but not to pay her for it. A win at arbitration is worth nearly \$10,000 to the scientist. It will cost CAPS several thousand dollars to litigate. But there is a point at which state management must be held accountable. This case may set a helpful precedent for this courageous scientist and others like her. The best thing would be for the DTSC to award back pay AND promote the scientist. CAPS will fight for the back pay, for starters.



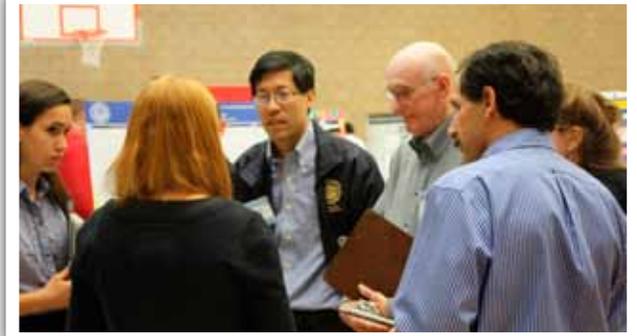


CAPS Honors Winners at Sacramento Regional Science & Engineering Fair

CAPS is a cosponsor for the Sacramento Regional Science & Engineering Fair, one of 14 regional science fairs statewide. CAPS supports ALL of the Fairs by having members near each Fair evaluate projects and recognize a future scientist with a small cash prize and a plaque. All winners then compete to become California's Outstanding Young Scientist. The Sacramento Fair is special, because CAPS—as a cosponsor—works very hard to make it a success. Now in it's 12th year with the Sacramento Fair, CAPS helps raise money, recruit scientists as volunteers and energize student participants. The Sacramento Fair is jointly operated with Intel and PEGC. It attracts hundreds of kids, dozens of volunteer judges, and promotes science and engineering with the next generation of leaders.



TV personality Monica Woods and Intel Representative Leroy Tripette (right) recognize the 2013 three grand prize winners (l-r) Shyamal Buch, second place winner, Nikhil Kothe, first place winner, and Nathaniel Varghese, third place winner.



Sweepstakes judging will send finalists to Phoenix to compete at the Intel International Fair in May. Assembly Member Richard Pan (facing camera) is himself a scientist and volunteered as a judge for the second year.



CAPS member and judge coordinator Yvonne Addassi presents the CAPS Regional Outstanding Young Scientist Award to Rayna Rampalli.



Volunteer judges make all the difference.



Leroy Tripette of Intel presents their special award.



The whole package: research, project board and presentation. Another future scientist?

Expectations

By David Miller, President

I have been asked repeatedly what to expect in contract bargaining this spring. In particular, I have been asked if restoring the pay cut is assured, and if the July 3% raise will be funded.

While I can't predict a specific outcome, I can say with certainty that CAPS will continue to work as hard as ever to achieve salary equity. That's been our focus over the last several years. It won't change.

Much depends on Governor Brown. What does he think is a fair wage for scientists? I have no doubt he is aware of our issue and of our need. But until now, the giving has been the other way. We have given to him. At Governor Brown's insistence, we were forced to accept another 12 month salary reduction, an increase to our retirement contribution, and other changes focused almost entirely on new hires.

Our expectation is that the salary reduction of one step (4.62%) will be restored with the July, 2013 pay period, and salary ranges will be increased by 3% at the top step, also effective in July, 2013. Our current labor contract calls for both to happen. The concern has been that the Governor and the legislature will renege on their contractual commitment.

CAPS worked hard to keep this from happening, and there are new factors working in our favor. First is the general economic recovery which is producing substantial revenue surpluses. Second is Proposition 30, approved by voters last November, and which CAPS strongly supported. This temporary sales tax increase promises to provide the extra revenue needed to permanently retire California's structural budget deficit. And while Governor Brown has dedicated the proceeds to public safety and education, it reduces pressure in all areas of the state budget.

The result is that the Governor's budget proposal for 2013/14 provides for the restoration of our salary cuts, AND for the 3% July salary increase. His budget spokesman has given the impression that this is all there is for employee compensation, but I take that as an early season bargaining ploy. There MUST be more. That will be the position of the CAPS Bargaining Team when negotiations resume later this spring.

My expectation is that full salaries will be restored as scheduled. We will ALL see the benefits of the 3% increase, starting with those at top step. During the bargaining process we'll address the salary and benefit needs that have been ignored for so long. Yes, we have heard from many of you, our members who

live in different parts of California where the cost of living varies but is uniformly high. For scientists living in the urban centers, lodging and transportation costs have increased while scientists living in more rural areas often don't have access to a HMO for health care and must instead subscribe to a higher cost plan. Your Bargaining Team

is keenly aware of this and seeks to relieve this pressure during upcoming bargaining.

Expect this round to be no less contentious and challenging. The good news is that we should be fighting to achieve pay increases, not to prevent further cuts. My expectation is that we will succeed.

"My expectation is that full salaries will be restored as scheduled."

EnCAPsulations...



CalPERS Invests in California. As of December 31, 2012, CalPERS has nearly \$23 billion of its portfolio invested in California. That's about 9.2 percent of its assets. CalPERS is one of the largest investors in California, providing jobs, services, and a financial boost to the state's economy. Private equity investments through limited partnerships made by CalPERS are headquartered in the State or chartered to invest in California. These programs are designed to provide superior risk-adjusted returns for the system and invigorate support for the State's economy.



June 3 Deadline for Dependent Scholarship Applications. College costs continue to rise, and CAPS is doing its small part to help. Any CAPS member with a dependent in college, or bound for college NEXT Fall, may apply to CAPS for one of several \$500 cash scholarships. The number awarded this year will depend on the number of applicants and availability of funds. To obtain the dependent scholarship application, go to the CAPS web page: <http://www.capsscientists.org/scholarship.htm>. This is for CAPS MEMBERS ONLY! If you aren't yet a CAPS member, or you know someone who should be, apply online for CAPS membership at <http://www.capsscientists.org/app.htm>.

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investment income, and to a lesser extent, from employer and employee contributions. Because health benefits are not prefunded, but are rather paid for as they are used, there is no opportunity to build an investment portfolio. Prefunding would provide for this, as well as a better discount rate at which to value future obligations.

Prefunding health and dental benefits will increase current costs, but would reduce the cost over the long haul. In fact some state employees are already prefunding their retirement benefits on a modest scale: CHP officers; trades and maintenance workers; and physicians and dentists. CAPS expects this to be a topic in upcoming contract bargaining.

Find the study commissioned by State Controller John Chiang via his web page: www.sco.ca.gov.



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