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Five Public Pension Myths Californians for Retirement Security | www.letstalkpensions.org

There's an often repeated myth that public pensions are going bankrupt. Here are five myths about public pensions followed by the facts.

1 Pensions are going bankrupt.



The methods used to calculate a pension system's funding level are complicated. This has enabled detractors to point to the public pension funds in a few states -- Illinois, Rhode Island, Connecticut and Kentucky -- where funding shortfalls are notably higher.

In 2010, when the recovery was not as far along as it is today, 16 states were above the threshold that many experts say is necessary to qualify for good fiscal health. The number of states meeting that threshold today is probably much higher. For example, in Wisconsin the primary pension fund is 99.8 percent funded today. In the state of Washington, pensions are 119 percent funded today. In North Carolina, pensions are 100 percent funded today. Perhaps most important, pensions will continue to recover steadily as markets rebound.

2 States are facing an "unfunded liability" in excess of anywhere from \$3 trillion to \$757 billion.

The concept of an "unfunded liability" is misleading. Pension benefits are paid out over decades. Imagine newlyweds, both of whom work, buying a \$300,000 home and putting \$20,000 down. The \$280,000 they owe represents an "unfunded liability," but like pensions, that money is not due all at once. It is due over 30 years, under the terms of a typical loan agreement. Opponents of public employee pensions have portrayed public pension liabilities as a bill that is due today. If homeowners had to pay the full cost of their home at the time of purchase, 99 percent of us would be renting. Homeowners don't have to pay their mortgage all at once, so it's very misleading to portray pension funds as due and payable up front. In fact they are funded over decades and paid to retirees over their life during retirement, be it one month or 30 years.

3 States can no longer afford to pay benefits.

Payments to pension systems account for less than three percent of state budgets. Most of the funds in pension plans are not even provided by taxpayers -- two-thirds of all pension assets are contributed by employees or earned on investments. Where pensions

are underfunded, it's primarily because of the recession and because states took "pension holidays." Politicians declined to make their state or locality's annual contribution -- breaking a promise to the public servants of that state and in a bad faith effort as the fiscal stewards of taxpayer dollars. Had they simply honored their commitments when times were good, virtually no state pension system would have unfunded pension liabilities that raise concerns. Claiming that public pensions are "unsustainable" has worked for opponents of pensions because it allows them to shift blame to workers. They advocate allowing states to ignore their responsibility to provide pensions to the people who perform the work to protect the public.



4 Public employee benefits are overly generous.

Pensions are now virtually non-existent in the private sector. The recession decimated the nest eggs of everyone with money in the stock market. So opponents of defined benefit pensions have gained traction with the argument that public pensions are too generous. After all, most private sector employees don't have a guaranteed pension; why should public employees? The untold story is that for many public employees, their public pension is their **only** source of income in retirement. Most aren't allowed to collect Social Security. The median benefit of public employee pension nationwide is \$23,407 according to the National Institute for Retirement Security. The hope is that their pension gives the average public worker the ability to pay their basic bills, but they definitely aren't getting rich in their old age.

5 We can fix the pension system by converting to 401(k)-style defined contribution plans.

There is a well-financed effort to make 401(k) plans the retirement solution for everyone. That's in part because Wall Street firms stand to earn billions of dollars in fees if pensions are converted to 401(k)s. That momentum has been blunted because 401(k)s have provided investors with a paltry return over time. Most such plans have plummeted in value since the 2008 market crash. 401(k) plans were always intended to supplement -- not replace -- retirement income. About 10,000 Americans are turning 65 years old *every day*, according to the Pew Center for the States. Wall Street's 401(k) plans have done far too little to help retirees enjoy their golden years. Defined benefit plans are the best way to support retirees and allow them to contribute to their local economies.

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Retirement ATTACKS Get Personal

Public pensions have been a subject of public debate for several years now. Once confined to a small cadre of vocal critics, the critics of public pensions—and public employees—has multiplied exponentially. Taxpayer groups, politicians, media outlets, internet bloggers—even friends and family members—now make up a powerful and vocal force determined to gut public pensions. The language and focus has gotten intensely personal. Take for example a recent opinion piece by *Investor's Business Daily*, a reputable and widely read financial publication.

The fact that this kind of cheap vitriol is now part of the mainstream is indicative of the increasingly combative and personal nature of this debate. Regardless, CAPS is determined to support sensible changes that will strengthen public pensions for generations to come, and oppose converting them to the 401(k)-type plans that have failed so miserably to provide those in the private sector with a dependable, secure retirement. CAPS is in it for the long haul.

In an article titled “Public Unions Are a Privileged Class Built on Greed,” Douglas MacKinnon, a self-professed conservative and former White House and Pentagon official, says:

“With regard to the exponentially worsening economic crisis here in the United States, maybe we are just not being direct and honest enough. The next time you see a city, county, state or federal public employee — be they teachers, postal workers, librarians, in the mayor’s office, or even police or firefighters — don’t view them as neighbors, friends or friendly civil servants, but rather as the destroyers of your economic future.”

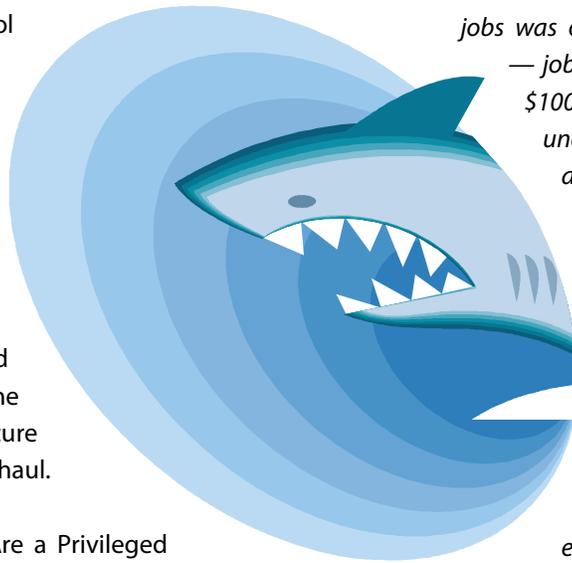
He goes on, “to be sure, the vast majority of these people are incredibly decent human beings — and no doubt see themselves that way. Just as the vast majority of them are very intelligent and know right from wrong. And yet, given those

absolutes, they also fully understand that their unfunded public pensions and elaborate health-care plans are depleting the savings desperately needed for the vast majority of Americans who are not public employees, and they just don’t care. They are putting themselves before all.”

“When asked about it, many hide behind their corrupt unions and try to justify their naked greed as deserved compensation for the “measly salaries” they are paid. Give me a break. Every honest American knows that if one of these public service jobs was offered tomorrow with zero pension — jobs that pay from \$20,000 to well over \$100,000 per year — thousands of the unemployed would line up immediately and consider themselves blessed with good fortune if they landed one.”

“In large part because of the unchecked greed of the public employee unions and workers, San Bernardino this week became the third California city to seek bankruptcy protection. Of course, if you were looking for that honest explanation from Democrats and pro-public employee union media outlets such as the Los Angeles Times or Reuters, good luck. They either ignore the elephant in the room (pun intended) or mention the toxically unfunded public employee pension issue in the last half-sentence of the story.”

“As the something for nothing, big-government proponents cripple the economies of Greece, Italy, Spain, California, Illinois, New York, Maryland and numerous other countries and municipalities, when do the Americans not participating in this threat to their welfare and the welfare of their children scream, “Enough is enough!” Maybe when they take off the rose-colored glasses and see these public employees for what they are: Destroyers of their economic future.”



Source: *Investors.com*, powered by *Investor's Business Daily*, July 17, 2012

Work From a Distance

BY DAVID MILLER, PRESIDENT



Teleworking can increase productivity, lower expenses, improve morale and lessen carbon emissions. Where there is solid commitment around a structured, sensible telework program, employees and employers of all types and sizes can reap significant rewards.

Even the Department of Defense has recognized the inherent benefits of a well-structured telework program. Just last April, the DOD announced that “telework is a powerful tool, one that helps DOD maximize the agility it needs to operate in all kinds of conditions, while promoting workforce efficiency and quality of life.” The new DOD policy requires its leaders to promote telework within their respective components, make every effort to overcome artificial barriers to program implementation, authorize telework for the maximum number of positions without compromising mission readiness, and integrate telework into continuity of operations activities. The Defense Department finds telework to not only be an effective recruiting and retention tool and key to quality of work-life, but also an integral readiness strategy when planning for continuity of operations during a crisis or emergency.

That’s why the CAPS Bargaining Team made telework one focus in recent negotiations with the Brown Administration. The Agreement recognizes the CalEPA telecommute policy as operative for all boards, departments and offices under its jurisdiction. But for all other departments that employ scientists, the operative policy is now the state’s “model” telework policy which can be found on the CAPS webpage. It clearly lays out the mutual benefits of a sound telework program. It encourages employees and employers to utilize telework through a formal written agreement. The CAPS agreement ensures that whose employees submit a written request will receive a written response within 30 calendar days. Most importantly, **no request for telework shall be unreasonably denied.**



I recognize that in too many state workplaces you simply aren’t considered working unless you’re sitting at your state office desk. But these days, when scientists are required to do more with less

– including eating another 12 month salary reduction – there are cost effective ways to mitigate the impact.

For example, if you commute with a car—most of us do—the cost of operating and maintaining your vehicle is considerable. Your time while commuting is largely wasted. If that time could be more effectively spent serving your stakeholders, then a telework schedule of one or more days per week might be right for you. Shared work space can reduce costs for the state too, meeting one of the primary goals of Jerry Brown’s tenure so far, right?

Telework works for the environment too. It reduces emissions and thus improves air quality. If the work we do for the state is focused on environmental quality and public safety, why shouldn’t work schedules be made greener at the same time?

To reap the benefits of telework, it requires you to develop a plan and request permission to implement it. You will get consideration and a written response. If you don’t, call your nearest CAPS office and our professional staff is there to help. Sure, the telework program isn’t right for every job. But for a surprising number, it can and will work very effectively even for a day or two a week.

Informal programs are okay too. These are where you telework on a periodic basis with the permission of your supervisor. You don’t necessarily need to formalize those. But then again, if there’s a change in your supervision or a change in the job, it’s nice to have your existing practice recognized in writing. You might consider a request to formalize your current schedule.

All this will require a change in management’s approach to our work. In order to drive this change, you need to develop a plan and take the first step: request approval! If you have thoughts on this, please let us know. We want to know if it’s working!

I reiterate my deep appreciation for the patience and support my fellow state scientists have shown during these ongoing challenging times.

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CAPS Grants Awarded

Each quarter CAPS promotes the professional development of members by awarding a \$300 grant to each of four state scientist members. CAPS began awarding these grants to a very limited number of scientists many years ago when far too many state departments were failing to adequately support the professional development of their scientists. The program has been extremely popular ever since. You can apply for a CAPS grant via the CAPS webpage: www.capsscienists.org NOTE: the CAPS Grants program is separate from the two days of professional development leave earned by state scientists annually.



Environmental Scientist Terri Weist of the Department of Fish and Game in Graeagle will use the grant to offset expenses incurred in attending the 11th Western Black Bear Workshop in Coeur d' Alene Idaho during May 2012.

Research Scientist III Kate Cummings, MPH, of the Department of Public Health in Richmond will use the grant to help pay registration fees for the first-ever joint meeting of three public health associations dedicated to the latest science and bench-to-bedside approaches to diagnosis, treatment and epidemiology of infectious diseases. The meeting will be in San Diego during October 2012.



Senior Environmental Scientist Christine Sotelo of the Water Resources Control Board in Sacramento used the grant to offset expenses in attending and speaking at the Stormwater Symposium 2012 in Baltimore Maryland during July 2012.

Research Scientist III Robbie Welling of the Office of Environmental Health Hazard Assessment in Oakland will use the grant to offset the cost of presenting a paper at the annual meeting of the American Public Health Association in San Francisco during October 2012.



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