

CAPSule

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PENSIONS REFORMED

On September 12, Governor Brown signed AB 340, less than two weeks after the state Legislature passed it. AB 340 changes retirement law for all California public employees. The most significant of those will set a maximum pension amount based on Social Security maximums (this year \$110,100), increase minimum and maximum retirement age for new hires, base retirement formulas on the three highest years of compensation (not the single highest), and require equal contributions by current and future employees. Governor Brown calls it "the single largest rollback in retirement benefits in the history of California government." The changes bypass collective bargaining and, for the most part, and will apply to future hires only.

As the bill applies to state scientists, there is good news. Most of the changes have already been negotiated and are part of the CAPS collective bargaining agreement or state law. Spiking – inflating final compensation in order to increase retirement income – has been prohibited in CalPERS retirement plans for many years. Scientists hired since 2007 are already subject to the three year averaging for calculating retirement, and state scientists already pay 50% of "normal" retirement costs. CalPERS estimates the legislation will save between \$42 billion and \$55 billion over 30 years for just the CalPERS administered plans. This does not count the dozens of other public pension plans that cover California public employees.

Perhaps the best news is that the basic structure of a defined benefit retirement formula is preserved for future generations of state scientists and all California public employees. The hybrid 401(k) feature is not mandated by AB 340. It doesn't "pack" the CalPERS Board with appointees by the governor, it doesn't change the state constitution, and thus it won't be on the ballot for voters to consider. This episode doesn't prevent future attacks on public retirements, but this was a major skirmish in the protracted battle over retirement "reform," and it's now over. This should persuade all but the most determined detractors to move on.

On the down side, AB 340 continues the disturbing trend of circumventing the bargaining process. Over the past couple of years, over 200 separate agreements at the state and local level have modified pension benefits resulting in huge savings to state and local governments. In spite of this, lawmakers apparently decided that agreements weren't coming fast enough and set minimums for everyone. In fact, one key provision requires that agreements on increasing employee retirement contributions must be negotiated by 2018 or they can be implemented unilaterally by the employer, subject to the impasse procedure in the bargaining law.

CAPS will watch implementation of AB 230 carefully, and engage any new proposals to change retirement benefits for state scientists or any California public employees.

Moreover...

Will State Scientists Be Required to Pay More? In short, No! The "normal" cost for retirement means the cost of the retirement benefit without adding unfunded liabilities. The current "normal" contribution rate for the CalPERS Miscellaneous Plan is under 16%. State scientists currently pay roughly 8% of salary toward retirement, already more than half the "normal" rate.

Will You Bump Up Against The Maximum Retirement Ceiling? Again, no. This will apply only to new hires, and the maximum (currently \$110,100) is indexed to Social Security increases. That amount will increase over time. Only the most highly compensated public employees will see limitations to their retirement annuity based on this ceiling.

Can I Buy "Air Time" After January 1, 2013? No. To purchase additional service credit from CalPERS, you must act no later than December 31, 2012. AB 340 outlaws airtime purchases starting next January.

California State Scientists ... Knowledge, Innovation, Protection

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Review Your Health and Dental Plan Options



CalPERS open enrollment for health plans began September 10, 2012 and runs through October 5, 2012. During the CalPERS open enrollment for health plans, members may change plans, make changes to their existing health plans, or add eligible family members. For more information on the CalPERS administered plans, go to www.calpers.ca.gov.

During the same time frame, the California Department of Human Resources (CalHR) will conduct open enrollment for Dental, FlexElect, and Consolidated Benefits (CoBen). For those who want to enroll in one or more of these plans for the first time, or who seek changes, forms are available from your personnel office. For more information on the CalHR administered plans, go to www.calhr.ca.gov.

All changes take effect January 1, 2013.

Members who need help selecting a health plan can use an online tool called the Health Plan Chooser, which will help them easily determine which plan best suits their needs. The Health Plan Chooser is available in the Open Enrollment Center, a one-stop shop for Health Open Enrollment located on CalPERS On-Line. The Open Enrollment Center offers "Quick Links" to health program publications that will help members with their decisions, such as the Health Program Guide, 2013 Health Benefit Summary, and CalPERS Medicare Enrollment Guide.



Health & Dental

For assistance in sorting through options on Dental, Vision and the other plans administered by CalHR, that agency recommends that state employees "contact your personnel office." This may not be adequate in many places where personnel staff is not readily available or the best informed, so a careful review of the CalHR website devoted to these benefit plans is essential: www.calhr.ca.gov.

Pension "Reform:" What They Said

CalPERS: *"Pension reform is hard work. If it were easy, as the saying goes, it would have been done a lot earlier. The legislative leaders and stakeholders involved in the pension reform process have done extraordinary work. They have produced a set of reforms that moves us forward to having a stronger and more affordable system. While the reforms may not satisfy those on each extreme of the spectrum, they are a positive and significant step in ensuring that public pensions are sustainable, secure and cost-effective."*

CAPS President David Miller: *"CAPS long ago agreed to changes that help make California's pension system sustainable for generations to com. This one-size-fits-all solution is not the best approach. Public employee groups statewide must have the opportunity to collectively bargain changes to their retirement benefits, just as CAPS has done."*

Californians For Retirement Security: *"The Governor's signature on this legislation represents a giant step backward for retirement security for California's aging workforce. While we support elements of the package that end pension spiking and other abuses of the system, the new law slashes benefits to pre-Reagan levels with an end-run around collective bargaining. The increase in retirement age will likely result in an increase in workers comp and disability benefits, and will make it increasingly difficult to attract a quality public workers to serve Californians."*

Governor Jerry Brown: *"With strong bipartisan support, the State Legislature today passed the biggest rollback of public pensions in California history. This sweeping pension reform package will save tens of billions of taxpayer dollars and make the system more sustainable for the long term. I commend the Legislature for taking this action."*

Senate Pro Tem Darrel Steinberg just prior to the vote on the Senate Floor (where it passed): *"So I guess, Members, if one defines reform as ending guaranteed middle class pensions and having most every worker, private or public, relying on 401ks and the stock market, I guess this then is not reform. But I don't believe that reflects the majority of Californians or the way that most people define reform. Reform yes. Rollbacks yes. Affordable pensions, yes... I for one am tired of public employees being the sole and I believe unfair focus of so much of the state's problems. People who enter the public service are public servants. And you have great public employees, mediocre public employees and all the rest, just like you do in the private sector. And it's about time we spend more effort honoring the people who choose to go into the public service while at the same time we make sure that we only provide what it is we can afford. I think that's what's being accomplished here today. Undoubtedly, there's more work to do as there is in every area of public policy. This is significant. I urge an aye vote."*

MAKING A DIFFERENCE

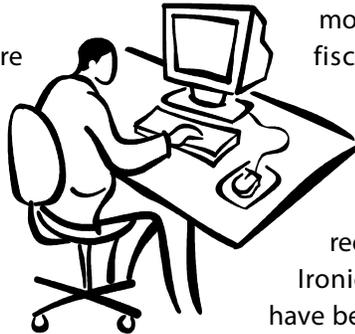
by David Miller, President

CAPS isn't the largest union representing state employees. It is certainly far from the largest union in the ongoing debate over public pensions. Yet that did not prevent CAPS from taking a high profile and active role in defending our retirement benefits over the last two years. This was a critical time for current and future retirees from CalPERS, and I am proud that CAPS showed up and made a positive difference.



California public employees were a daily punching bag for politicians, demagogues and media outlets. We were accused of being lazy, overpaid, and limiting the ability of government to provide essential services. All nonsense. Our critics apparently don't live in the real world. WE are the ones who work hard to support our families, put food on the table, and keep up with the rent or mortgage payments while taking salary reductions in the midst of an ongoing recession. Meanwhile, Wall Street money manipulators got away with the biggest fiscal fraud in history, forcing most California families to cut back.

Yes, many of the changes in AB 340 were far-reaching and generally negative. It circumvented collective bargaining when bargaining was working just fine. Perhaps worst of all, our "friends" in the legislature cast the votes that made it happen. This included leadership in the state Senate and Assembly. Their actions had to do with election year "optics," something that apparently didn't apply to their own employees who, at least in the Senate, received significant pay increases this year.



Government shortfalls in California and elsewhere were caused by the economic recession, poor management and outright fraud. Ironically, cops and firefighters—once heroes—have been vilified in recent years over the generous retirement formulas provided to them. Career public scientists and millions of other dedicated public servants—from teachers to janitors—were similarly targeted in this misguided media-driven battering. Countering these attacks often seemed like battling a Tsunami with a sand shovel, but fight we did.

Nevertheless, the final agreement could have been much worse. It could have included a constitutional amendment that fundamentally changed the defined benefit pension program sponsored by CalPERS into one offering a 401(k) style program for future hires. That would have reduced or eliminated income to CalPERS that is essential to funding current obligations. This wouldn't have changed the state's obligation to fund those retirements, but it would have set up a future showdown over "who pays" when funding inevitably ran short.



I trust the worst is over, at least on the retirement front. I feel good in knowing that CAPS did its part and put its time and resources where it mattered the most. That was serving as an active voice for state scientists as part of Californians for Retirement Security, our labor coalition that worked so tirelessly to protect California's defined benefit retirement programs.



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David Miller,
President*



CAPS Recommends...



YES on Proposition 30—Temporary Tax
Increases Stabilize General Fund



NO on Proposition 31—Misguided Budget
Measure Threatens State Environmental and
Labor Laws



NO on Proposition 32—Latest Power Grab by
Corporate and Billionaire Political Spenders

**NOVEMBER
2012 BALLOT**

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