

# CAPSule

E-Mail CAPS at: [caps@capsscientists.org](mailto:caps@capsscientists.org)

Website: [www.capsscientists.org](http://www.capsscientists.org)

May 2013, Issue #13-05

## May Budget Kicks Off Bargaining



Negotiations for a new contract won't get serious until the May Budget revision is delivered. That's when everyone finds out how much money is in the bank. By the time you read this, Governor Brown has likely announced revisions to his January draft budget. With or without new money, Governor Brown can be expected to remain tightfisted. Any new spending he likely will devote primarily to education and public safety.

Nevertheless, CAPS will be focused on improving pay and benefits for state scientists. Here are CAPS' priorities.

**Contract Bargaining.** The CAPS Bargaining Team will begin meeting with Cal HR -- Gov. Brown's negotiating arm -- on May 20. For scientists working with state engineers and a history of salary equity between them, the priority is salary equity based on Like Pay for Like Work. (For a list of scientists with a history of salary equity with engineers, go to the CAPS webpage under like pay for like work.) For other scientists, salaries should be competitive, and based either on the LPLW model, or on established benchmarks in the public and private sector. Working for state government in recent years has meant mandatory unpaid furloughs and increased payments for retirement and health benefits. Reimbursements for state travel and professional development are insufficient or nonexistent. It shouldn't cost state scientists out-of-pocket to get the state's work done. Many other significant issues and benefits will be addressed at the bargaining table. These include equity on health benefits for scientists living in rural areas, differentials for scientists living in high-cost areas and providing flexible work schedules where appropriate, just to name a few. In some locations, it is increasingly difficult to recruit and retain qualified scientists. Proposals to address these issues will be developed with member input. All of this and more will get attention in upcoming negotiations.

**Retirement issues.** CalPERS benefits are defended by CAPS and others who want to see a healthy, sustainable retirement plan for public employees. For those who want to replace the current defined-benefit retirement "guaranteed payment" model with a defined contribution "pay-as-you-go" scheme, CalPERS is the villain. While CalPERS investment returns have recovered from the economic slump, future demands require even greater returns. Critics say CalPERS and other retirement programs are unsustainable and should undergo further reform.

They want Governor Brown to extend the minimum age for retirement for new AND active employees, for starters. That will require employees to work longer, with the shorter horizon for retirement. This reneges on the promise made to employees when hired, so CAPS will oppose it. CalPERS isn't funded sufficiently to cover **all** of its liabilities, but it has recovered losses from the recent economic downturn. With markets still on the rebound, CAPS has faith that CalPERS will see stellar returns on its investments.

**Funding Health Benefits For Retirees.** Pre-funding health benefits for retirees must be addressed—it's a \$60 billion dollar problem. A healthy array of health benefit choices is vitally important for active and retired state employees. CAPS is working to ensure that CalPERS provides them sustainably and affordably. CAPS wants the discussion about "who pays" to occur at the bargaining table, not via the legislature or the initiative process.

**CalPERS' Investment Philosophy.** CalPERS acted recently to change the way it values its unfunded liabilities. The net effect was to increase significantly the amounts that employers must pay into the System. For some public agencies, contributions will increase by as much as 50%. There's more coming. CalPERS will next review its assumed earnings rate, currently 7.5%. (This is the rate that CalPERS assumes that it will earn on its investments. It is a key factor for its actuarial determination of the employer contribution rate.) This assumed rate was reduced by CalPERS not long ago from the historical rate of 7.75%. Now CalPERS is considering a further reduction. Earning less from investments means needing more from other sources. This will increase the "normal" cost of retirement and thus the amount that employers **and** employees pay towards retirement. CAPS will strongly oppose any change that will result in an increase to the "normal" cost of retirement.

California State Scientists ... Knowledge, Innovation, Protection

455 Capitol Mall, Suite 500, Sacramento, CA 95814 • (916) 441-2629

215 N. Marengo Avenue, Suite 185, Pasadena, CA 91101 • (818) 246-0629

1 Sutter Street, Suite 800, San Francisco, CA 94104 • (415) 861-6343

CAPS Announcement • (916) 444-2111 CAPS Insurance • (415) 958-1344



# Don't Blame Workers for Government Financial Failures

By Guest Writer Cathy Jeppson

Perhaps the most telling number in a recently released national survey about retirement is the one that describes how many Americans believe their elected officials in Washington, D.C. simply don't understand how difficult it is to save for the golden years. Eighty-seven percent. So it's no wonder Californians don't believe politicians in this state who continue to use the public employee pension system as a scapegoat for governments' financial woes.

First, they tried it in Stockton. But the bankruptcy there wasn't caused by the city's police officers and garbage truck drivers. It had more to do with lavish borrowing to construct a waterfront ballpark and entertainment center. Then, they tried to blame public employees for San Bernardino's fiscal problems, but that city's pension costs last fiscal year totaled just 4 percent of its budget shortfall. That means even if pensions were eliminated entirely, San Bernardino would still have had a \$43 billion budget hole. Some have even tried to blame the California Public Employees Retirement System for the state's budget problems. They do so by taking a snapshot of the system's performance during the nadir of California's economic slump. That's narrow and unfair.



Evaluating an investment system over just six months or one year skews its true health. Instead, consider CalPERS' long-term performance. Over the past two decades it has averaged an 8 percent return on its investments - and that includes the recent down years. Imagine an 8 percent return on any other long-term investment. Your home value. Your bank savings account. Your own 401(k) or IRA.

Politicians shouldn't be scapegoating a retirement system that realizes those kinds of returns despite difficult economic times; they should be studying the system and asking how it can be emulated. If that's not enough motivation, politicians in our state should realize that their constituents have had enough of politicians and billionaires blaming working-class public employees for government's problems.

Statewide opinion polls show overwhelmingly that voters are satisfied with the massive changes in pension law signed by the governor last year. Nationally, only 9 percent of Americans believe that government employees' pensions are too high, according to the survey by the National Institute on Retirement Security. Eighty-six percent of Americans say police officers and firefighters deserve pensions because of the danger inherent in their jobs, and 72 percent say teachers deserve pensions because of how little they earn. Yes, it's true that a small number of public employees have gamed the system. Those loopholes need closing. It's also true that, facing difficult budget situations, everyone needs to do their part to cut back. That's why public employees in hundreds of cities throughout California have already agreed to concessions. On top of that, Brown's reforms kicked in last month, representing a \$100 billion reduction in benefits to the state's teachers, public safety employees and others. Should our state have a broader policy conversation about whether public servants deserve defined benefit retirements? California elected officials ought to know that voters don't think so. They're tired of politicians using teachers, firefighters and other public employees as scapegoats. Not only do voters support public employees' pensions, they believe all Americans deserve access to a defined benefit pension.

*Cathy Jeppson is a professor in the Department of Accounting and Information Systems at California State University, Northridge.*

# Climate Change

By David Miller, President

The good news is that after years of deficit budgets, Governor Brown's May budget revision is likely to reflect significant new money. The bad news is that Governor Brown wants to hold all of it in reserve to deal with climate change.

I'm all for taking steps to address the negative effects of climate change. In fact, CAPS has a policy on climate change which you can find on the CAPS home page. Our policy makes the reversal of climate change a priority for CAPS, and it reflects the practical and scientific side of our membership. We care about the environment. We want to leave future generations with a sustainable planet.

As state scientists, we also need to pay the bills. No group of public employees in this nation has done more to mitigate the impact of the economic slump on our employer. We helped Jerry Brown when he needed it most. We endured years of mandatory unpaid furloughs, three days a month for a good portion of it. We are paying more towards our retirement. New employees get a lesser benefit. We haven't had an actual salary increase in several years.

So now that the state has recovered financially, we need some relief too. No doubt Governor Brown is under pressure to reverse some of the draconian cuts he was forced to make. His stated budget priorities remain education and public safety, but our work must figure in prominently as well. Ensuring public health and safety, sustaining endangered species and the environment, protecting land, air and water, all of these are priorities for the quality of life of every citizen and for the sustainability of our state and the planet. This is worth something, and clearly more than we are making right now. I speak not just for those of

us well along in our careers, but, also for the more recent hires, many of whom are just starting out, often with new mortgages and young families. I hear from them at every worksite I visit, as well as from their colleagues who are closer to retirement.

If the state is going to be competitive in recruiting and retaining quality scientists, it simply must be competitive in compensation. In most areas of California, it's not. For scientists who take a state job, many are not long for it. As I heard it most recently from a member at a worksite meeting in Santa Rosa. His love of the work doesn't fully cut it. Bills at home and the reality that other public jobs pay substantially more for similar work make remaining in state government untenable. He is a perfect example of another talented scientist who likely will leave state service because it doesn't pay enough. The state simply isn't competitive in too many places.

*“As state scientists, we also need to pay the bills.”*

The bargaining table is where Governor Brown can make things right. We must have salary equity with our state engineering brethren, and our local agency counterparts. It's not being greedy, it's being practical. It's about the quality and

quantity of scientific services the state makes available to the people of California and all stakeholders. In fact, as state scientists, we speak for those who often have no voice: animals, plants, marine life, natural and cultural resources, and the underserved California populace.

Our message to Jerry Brown: if you want help in slowing and reversing climate change, include state scientists on the team. Treat us fairly. We did more than our share of sacrificing during the tough fiscal times, now do yours. Make salary equity reality. Give us some relief for the years of financial distress we've undergone. We did our part, now, Governor Brown, you must do yours.

## *In This Issue*



- » *May Budget Kicks Off Bargaining*
- » *Don't Blame Workers for Government Financial Failures*
- » *Climate Change, by David Miller, President*

## **CalPERS Comes BACK!**

The CalPERS investment portfolio is again valued at \$260 billion, the all-time high it achieved before the financial market crash in 2008. But CalPERS knows that its liabilities – obligations owed for current and future retirement payments – never took a vacation and are greater than ever. State employees are living and working longer, so the investment portfolio needs to maximize returns.

CalPERS plays a critical role in providing health care to state scientists. They pledge to push for market reforms and better, more cost-effective treatment. They pledge to find health care partners that will provide high-quality health care by using innovative and cost-efficient solutions. They promise to contract with providers to implement effective wellness and disease management programs, including access to high-quality physician and hospital networks. CAPS wants CalPERS to find access to HMO services in rural areas where they don't exist.

CalPERS also has a role in municipal bankruptcies. CAPS supports CalPERS' intervention in the bankruptcies of Stockton and San Bernardino in order to protect the retirements for everyone. Finally, CalPERS is a fiduciary and must adhere to the highest ethical standards, something some past leaders have not always observed. CAPS will hold them to it.

APSule (ISSN 10446230) is published monthly by the California Association of Professional Scientists, 455 Capitol Mall, Suite 500, Sacramento, CA 95814. Periodicals Postage Paid at Sacramento, CA. POSTMASTER: Send address changes to: 455 Capitol Mall, Suite 500, Sacramento, CA 95814-2483.

PRESORTED  
FIRST-CLASS MAIL  
U.S. Postage  
PAID  
Permit No. 420  
Sacramento, CA

CALIFORNIA ASSOCIATION OF  
PROFESSIONAL SCIENTISTS  
455 Capitol Mall, Suite 500  
Sacramento, CA 95814

