

CAPSule

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RETIREMENT SECURITY IN CALIFORNIA

Last month, CalMatters, in conjunction with the *Los Angeles Times* and Capital Public Radio, began a series of articles and radio broadcasts attacking the retirement security of California's scientists, teachers, firefighters, school employees and other public servants.



When SB 400 became law, CalPERS was 137 percent funded and contributions by state and public agencies had dropped to at or near zero. Taxpayers saved billions of dollars by making lower or no contributions, while public employees continued to make full contributions towards their retirement.

CalMatters is funded by a "who's who" of wealthy Californians who have bankrolled anti-union activities, including former Schwarzenegger economic advisor David Crane and former GOP gubernatorial candidate Bill Simon.

The series, which contained misinformation and inaccuracies, was designed to reignite the debate about the sustainability of California's pension system. It comes after multiple failed attempts over the past seven years to put a measure on the ballot and break promises to public employees. **These attacks were led by failed former San Jose Mayor Chuck Reed, Enron billionaire John Arnold and former San Diego Councilmember Carl DeMaio.**

This comes just four years after Governor Jerry Brown's signature on the Public Employee Pension Reform Act, described in the Governor's Office press release as "sweeping pension reform...that saves billions of taxpayer dollars by capping benefits, increasing the retirement age, stopping abusive practices and requiring state employees to pay at least half of their pension costs."

CalPERS projected savings from this measure at \$65-85 billion. Contrary to the bleak picture painted by the media, Moody's now rates CalPERS and CalSTRS at "Aa2" – among its highest ratings.

The CalMatters series began with Monday morning quarterbacking about SB 400, the 1999 bill that changed benefits for public workers. That bill, passed by a strong bipartisan majority of the state legislature, signed by Governor Gray Davis and supported by the California Public Employees Retirement System (CalPERS) Board of Administration, was a product of its time. The cost for this benefit increase was \$500 million a year over 30 years.

Then, due to the fraud and abuse perpetrated by Wall Street bankers, the worst recession since the Great Depression hit and investors across the globe watched as trillions of dollars in asset values were wiped out. **CalPERS lost \$69 billion in the first year and over the next two years their funded status dropped by 40 percent.**

CalMatters' claim that SB 400 is the driving force behind the unfunded liability defies math. **The one year loss of \$69 billion due to Wall Street abuses would have funded the SB 400 benefit for 138 years.**

Hindsight is 20/20 but unions, employees, employers and pension administrators are working to sustain pension systems for generations to come. Hundreds of unions have negotiated agreements that include higher employee contributions and benefit adjustments.

In addition to the changes mandated by the Governor and Legislature, **CalPERS has established a process to take an innovative, integrated view of its assets and liabilities. It cut \$300 million annually in investment fees, exited hedge funds, and eliminated high-fee Wall Street investment managers.** It continues to promote good governance in the companies in which it invests to improve value and further cut risk in its portfolio.

CalSTRS has been stabilized by Governor Brown's signing of Assembly Bill 1469, enacted as part of the 2014-15 budget, that concluded a decade-long effort to close CalSTRS' nearly \$74 billion funding gap.

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RETIREMENT SECURITY IN CALIFORNIA

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Increases in pension contributions for all parties took effect July 1, 2014, and are being phased in over the next several years. Contributions rates for CalSTRS members increased from 8 percent of payroll to 8.15 percent of payroll in the first fiscal year.

CalSTRS members hired prior to January 1, 2013, who were not subject to provisions of the Public Employees' Pension Reform Act of 2013, have seen their contributions increase by a total of 2.25 percent of payroll phased in over the last three fiscal years. **Contribution increases for CalSTRS members hired after January 1, 2013, who were subject to the provisions of PEPPRA, are being phased in with their total increases capped at 1.205 percent.**

California pension plans continue to be among the best managed and most solvent in the nation, despite the catastrophic Wall Street debacle that wreaked havoc on pensions as well as individual retirement savings. The biased, inaccurate and factually flawed CalMatters articles, funded by anti-pension millionaires, does not qualify as reporting. It is no more than the same warmed over propaganda and misinformation used in the past to undermine the retirement security of scientists, teachers, firefighters, police, school bus drivers and other public employees.

HELP SELECT THE NEW CAPS LOGO!

It's no secret that CAPS is about to embark on a dynamic new media campaign that will seek to boost the profile of state scientists among decision-makers and the public. To go with this, CAPS plans to adopt a new look, at least with respect to our logo. And we need YOUR help!

These draft logos have already been vetted by CAPS leaders and staff. Now we'd like YOUR opinion. Do any of these embody the dynamic image of CAPS as a leader of California's dedicated, hard-working state scientists? If none of them tickle your fancy, please give us your own original ideas. We REALLY want to hear them. You can vote at www.capsscienists.org.





SETTING THE TONE

BY PATTY VELEZ, PRESIDENT

Our nation's "bully pulpit" is the White House. That's where the president sets the right tone for the nation. It's where the president carves a clear, positive path. Where inspiration and leadership emanates from. After the term was famously coined by our first Environmentalist President Teddy Roosevelt, many presidents have used the White House as their bully pulpit.

Candidate Donald Trump called global warming "BS" and a "hoax." He threatened to defund the Environmental Protection Agency and promised to restore a vibrant coal mining industry. All this when there is nearly unanimous agreement among leading climate scientists that we humans are indeed warming our planet at an alarming and potentially catastrophic rate.

Now that *President-Elect* Trump has moderated his harsh rhetoric in some areas, the world awaits his words on what energy policy will look like during the next four years. We know the path chosen by the Obama Administration: regulate the carbon dioxide emissions from power plants as part of the Clean Power Plan. The United States signed the Paris climate agreement, which promises to significantly cut greenhouse gas emissions by 2025.

Candidate Trump said he would seek to pull out of the Paris Accord and scrap Obama's Clean Power Plan, as well as many other environmental policies and regulations adopted over the last eight years. If *President-Elect* Trump makes good on these campaign promises, the impact is likely to be felt for generations to come.

When it comes to green environmental policies, California almost certainly will continue to lead regardless of what a Trump Administration does. We have been working to reduce greenhouse gas emissions in

California since the 2006 passage of AB 32. California has already achieved the goals envisioned under the Clean Power Plan. We have reduced emissions based largely on a somewhat controversial "cap-and-trade" program. It has regulators set limits on carbon emissions and allows polluters to buy and sell carbon permits to stay under those limits. This independent path was set, in part, due to the failure of the federal administration under President George W. Bush to adopt a coherent climate policy.

Will *President-Elect* Trump return us to the rudderless days of the G.W. Bush Administration, where climate policy was set by the fossil fuel industry, not science-based analysis?

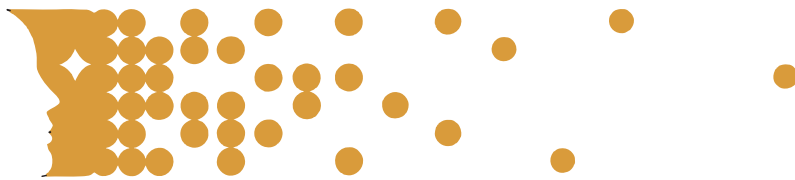
Time will tell. And while it is comforting to live and work in a state that regards climate change as something more than a cruel hoax, it would help greatly to have the right tone and policies come from our president.

Anyone who works on environmental issues – whether it's related to climate, wildlife, plants, water, or air – we **KNOW** things are changing rapidly. It's vitally urgent that nations collectively take action to curb the deleterious effects of unbridled carbon emissions.

If the dangers of climate change have to wait until melting glaciers and rising sea levels become undisputed facts to coal miners in Appalachia, or there's beach front property for sale in Vallejo, we've probably gone beyond the tipping point.

I am listening carefully, and I'm really hoping that *President-Elect* Trump sets the right tone in the climate debate. That he backs up his words with positive policy that takes its direction from the scientific community. Failure to do so puts our very existence at risk. Moreover, time is of the essence.

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EnCAPSulations...

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New CalHR Labor Rep for CAPS. CalHR's Steve Satake has been assigned as lead labor relations officer for CAPS and Bargaining Unit 10. Mr. Satake was at the CAPS bargaining table for CalHR during the last round of negotiations, but he didn't lead the state's efforts. Mr. Satake is 48 and previously served as a labor relations officer at the California Franchise Tax Board, and in several positions at Caltrans from 2006 to 2013, including labor relations specialist, labor relations analyst and associate personnel analyst. He was a workers' compensation claims adjuster at the State Compensation Insurance Fund from 2004 to 2007.



2017 Media Program. The CAPS Board on November 5 approved a budget for 2017 that includes up to \$250,000 for a statewide media program to recognize the importance of state scientists in protecting and improving the quality of life in California. This program will focus on the important work and unique personalities of state scientists. Content will be developed by CAPS members and staff, then shaped and delivered by established media professionals. More details on this are forthcoming.



Scientists Mentioned Again... Governmental Operations Agency Secretary Batjer was charged by Governor Brown with modernizing the state's workforce. When asked recently by the *Sacramento Bee* whether the Pentagon (she used to work there) or California state government is harder to change, she said, in part: *"the good thing is I didn't have to change much at the Pentagon... I want great ideas, I want things that are pragmatic and practical, that will make civil service the best it can be. I want us to be the employer of choice, not the default. I want the **environmental scientist** to come to work for California because he or she wants to change the world, because where else to do it?"* CAPS has told Secretary Batjer on multiple occasions that if the state wants to attract and retain top scientific talent, it needs to become salary competitive, something it currently is not.