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MEMORANDUM
May 15th, 2018

TO: RPEA

FROM: Marketplace Communications

RE: Daily Media Clips

Following are today's news clips:

DATE	PUBLICATION	TITLE & LINK	AUTHOR
5/15/18	SacBee	'Crunch time' at CalPERS: Pension confidence drops among city managers http://www.sacbee.com/news/politics-government/the-state-worker/article211115234.html	Adam Ashton
5/15/18	Bloomberg	California's Brown Says Cities on Their Own as Pension Tab Rises https://www.bloomberg.com/news/articles/2018-05-14/california-s-brown-says-cities-on-their-own-as-pension-tab-rises	Editor

5/15/18	Daily Republic	Pension liability a challenge for Solano county, supervisor candidates https://www.dailyrepublic.com/solano-news/vacaville/pension-liability-a-challenge-for-solano-county-supervisor-candidates/	Todd Hansen

'Crunch time' at CalPERS: Pension confidence drops among city managers

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Most California public workers and retirees are feeling a little better about their pensions, but their bosses are very worried.

A new survey by the California Public Employees' Retirement showed a steep drop in confidence in the $355 billion pension fund among government executives.

Fewer than half of the city managers and other senior government leaders who replied to the annual CalPERS survey said they felt confident that their retirement money was safe, a decline of about 15 percentage points from last year.

The results echoed a February report from the League of California cities that said rising pension costs were becoming "unsustainable" for some local governments.

"Our foundation is rocky at best," said Dane Hutchings, a lobbyist for the League of California Cities, said at Monday's CalPERS Board of Administration meeting.

“It’s crunch time, and quite frankly, we simply cannot stand another market slowdown or substandard returns.”

CalPERS conducts an annual member survey to gauge the concerns of the 1.9 million public employees and retirees who rely on it for their retirement income and health care. It distributed about 110,400 surveys this year, and about 10,800 people responded.

Overall, CalPERS participants felt better about their retirement security this year than they did in the 2017 survey. They expressed more confidence in CalPERS across a range of questions about customer service, communication and retirement security.

Last year’s survey unfolded just after CalPERS slashed the pensions it pays to about 200 former workers of two small agencies after their employers quit paying into the fund. The results reflected greater anxiety among public employees and retirees. About 3,000 more people responded to last year’s survey, too.

The new survey comes as local governments adjust to climbing pension fees. CalPERS in late 2016 acknowledged that it expects to earn less money over time from its investment portfolio, a decision that required its member agencies to kick in more money to fund the pensions of their workers.

By 2024, cities anticipate that they will spend an average of 15.8 percent of their general fund budgets on pensions, up from an average of 8.3 percent today, according to the League of California Cities survey.

The CalPERS survey results also alarmed George Linn, president of the Retired Public Employees Association of California. He maintains that the system is sound.

“We need to find a way for this investment committee and the investment department and the public relations department to do better to convince our stakeholders that the (pension fund) is safe,” he said.

CalPERS has about 70 percent of the assets it needs to pay all of the benefits it owes to public employees and retirees. CalPERS has a plan to gradually become fully funded, and it reported in February that recent changes are yielding a more stable outlook.

Still, budget hawks and retiree advocates worry that a recession could cripple the system.

California's Brown Says Cities on Their Own as Pension Tab Rises

As California’s cities flounder under the rising cost of public pensions, they shouldn’t expect the state to extend a hand.

While Governor Jerry Brown noted in his revised budget Friday that local governments face "even greater pressures" than the state in dealing with the expense, he said it’s not up to the state to help.

"A lot of cities signed up for pensions they can’t afford," the term-limited governor said during a budget briefing in Sacramento. "I don’t think the state is in a position, as far as I can see, to step in the shoes of mayors and supervisors. They’re going to have to handle that themselves.”

Brown’s position underscores the challenges facing local governments, whose resources are more limited than that of states in addressing the rising costs of keeping promises to police officers, teachers and other civil servants. In the Golden State, some cities are seeing their payments to the California Public Employees’ Retirement System rise by double digits in just a few years. Investment losses, contributions failing to keep pace with the cost of benefits, and changes in assumptions such as mortality rates have left many public pensions across the country with less than they need to cover obligations.

Brown noted that the state has acted: he and legislators in 2012 pushed through a pension overhaul that reduced benefit formulas for new hires. The impact becomes more significant each year as those workers replace those employees at higher benefit tiers, he said.

Cities looking for more relief may find it in the courts, Brown suggested. The governor in January predicted that legal rulings in pending cases may make it easier to cut pension benefits for existing workers.

"The pension story is not over yet," Brown said. "There will be more developments over the next few years."

Pension liability a challenge for Solano county, supervisor candidates

VACAVILLE — The critical issue of what to do about Solano County's skyrocketing pension liability is difficult at best, but candidates for the 4th District seat on the Board of Supervisors have a wide range of ideas.

Susan Eleanor MacMakin said it is "time to get creative."

"I see a need for the people and our elected officials to get to know each other better. Town hall meetings with breakout sessions will harness the brain power of creative individuals. Together, we can collaborate and build new systems, working with data-driven decisions. We must cut spending and increase revenue to remain fiscally sound," MacMakin said in response to the fourth in a series of election questions asked of the candidates by the Daily Republic.

The question posed was: “Solano County’s unfunded liability, as of June 30, 2016 (the last CalPERS report), was $545,268,876. That is $414,506,788 for the miscellaneous fund, and $130,762,088 for the safety fund. What steps does the county take to meet these liabilities, and what specific steps would you recommend the county take moving forward?”

MacMakin makes no specific recommendation, but states, “Solano County’s workforce deserves to receive retirement benefits for a career of service, and it is the job of the supervisor to ensure responsible deliverables, curtail extraneous practices, build a legacy of moral and judicious norms, and set precedent for those who follow.”

MacMakin also stated that almost half the county’s $1 billion budget is “allocated to pensions.”

That is inaccurate. The 2017-18 county budget contributed a little more than $49.85 million toward California Public Employees’ Retirement System pension obligations. The county also has a trust fund and a reserve, with a combined total of $36.4 million, that can be used toward pension liabilities.

MacMakin also pointed to Iceland’s environment-protective, tourist economy as an example Solano County leaders can look at for part of the solution for increased revenues.

Devon Minnema would like for Solano County to get out of CalPERS, but admits that is “not likely to happen anytime soon.” He suggests the county should extend from five years to eight years the time an employee must work before being eligible for CalPERS.

“If employment at a public agency is ended before five years, the employee is able to pull out all of the contributions he or she has been required to make, with small interest, and can transfer those funds to whatever kind of non-CalPERS fund they would like . . . . By negotiating an extension of the vestment requirement to eight years, employees would be able to work longer before becoming locked into the CalPERS system, and the taxpayer contributions made toward employees who end up working less than eight years for the county or public agencies would then act as a subsidy toward the overall liability.

“This would automatically squirrel more funds away toward paying down the liability. In the formula for deciding what level of annuity an aspiring retiree is eligible for, there is always an ‘annual mean compensation’ value,” Minnema said.

He also suggests that “creating just a plus or minus 1 percent based on investment performance would be a major step in defraying the liability, particularly bad economies or when the politicized investments of CalPERS do not pay off like they are expected to on paper.”

Vasquez lauded the county’s efforts, and believes it is the correct course for an issue that is largely out of the county’s control.

“The county has established a 90 percent policy of funding pension cost and with the establishment of the special trust fund, the Pension Rate Stabilization Program, this 15-year effort to addressing this obligation has shown the county’s commitment to address an issue bigger than just Solano County,” Vasquez said.

While the policy sets a goal of 90 percent, the county is actually closer to 73 percent. The stabilization program is an investment strategy that has outperformed CalPERS returns.

But Vasquez also suggested that any response to solving the pension liability issue is, in election terms, “an answer to, ‘Can you promise more than you can deliver?’ ”

Debbie Lazaro, a former Solano County and Sonoma County employee, thinks the issue is less grave than perhaps others do.

“There has been much ‘hype’ about public retirement benefits being a huge drain on our budgets and resources. I suspect that, in large part, this is meant to stir up ill will against public retirees and create support for reducing benefits,” she said.

She added later in her response, “While the current pension plan utilizes investment as a means of funding, the rate of return needs to be improved upon. As a former public employee, I greatly appreciate both my pension and my health benefits. I wish the same for all retirees everywhere.”

“In addition to steps the county has already taken, I would diligently search for areas where cost-savings could be achieved and apply this to the unfunded liability. This is how we pay down our personal debt,” Lazaro said.

“I would also recommend enrolling in an ‘insured liability-driven investment plan.’ These are plans in which investments are strategically made to generate profit and limit the plan’s exposure to investment market volatility, as well as ensuring that the pension plan remains fully funded.”

The 4th District includes Dixon, much of Vacaville and the surrounding rural areas.