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MEMORANDUM
June 6, 2018

TO: RPEA

FROM: Marketplace Communications

RE: Daily Media Clips

Following are today's news clips:

ATE	PUBLICATION	TITLE & LINK	AUTHO
6.2018	Mercury News	Local officials avoid 'p-word' as they push new taxes https://www.mercurynews.com/2018/06/06/walters-local-officials-avoid-p-word-as-they-push-new-taxes/	Dan Walte
5/2018	Orange County Register	California's pension problems are far from over https://www.ocregister.com/2018/06/05/californias-pension-problems-are-far-from-over-2/	Editor Boar
5/2018	Forbes	Why We Need To Keep Politics Out Of Public Pensions https://www.forbes.com/sites/christopherburnham/2018/06/05/why-we-need-to-keep-politics-out-of-public-pensions/#6aee977322ed	Christo Burnh
5/2018	Independent Institute	California's Public Pension Crisis: Why It Matters to You http://www.independent.org/multimedia/detail.asp?id=4978	Lawre McQui

Local officials avoid ‘p-word’ as they push new taxes

Why are officials so unwilling to tell their voters that pension costs are the underlying factor in their requests for tax increases?

Senate Bill 958 would allow one school district, Davis Unified, to exempt its own employees from paying the $620 per year parcel tax that its voters approved two years ago. The bill’s being carried by Sen. Bill Dodd, a Napa Democrat whose district includes Davis.

By **DAN WALTERS, CALMATTERS** |
PUBLISHED: June 6, 2018 at 12:01 am | UPDATED: June 6, 2018 at 2:54 am

While public and media attention to this week’s primary election focused – understandably so – on contests for governor, U.S. senator and a handful of congressional seats, there were other important issues on Californians’ ballots.

One, which received scant attention at best, was another flurry of local government and school tax and bond proposals.

The California Taxpayers Association counted 98 proposals to raise local taxes directly, or indirectly through issuance of bonds that would require higher property taxes to repay.

The proposed taxes on legal marijuana sales and other retail sales and "parcel taxes" on pieces of real estate were particularly noteworthy for how they were presented to voters.

Most followed the playbook that highly paid strategists peddle to local officials, advising them to promise improvements in popular services, such as police and fire protection and parks, and avoid any mention of the most important factor in deteriorating fiscal circumstances – the soaring cost of public employee pensions.

City, county and school district officials howl constantly, albeit mostly in private, that ever-increasing, mandatory payments to the California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System (CalSTRS) are driving some entities to the brink of insolvency.

However, those officials are just as consistently unwilling to tell their voters that pension costs are the basic underlying factor in their requests for tax increases.

Why?

Tying tax increases to pensions, rather than popular services, not only would make voters less likely to vote for them but make public employee unions less willing to pony up campaign funds to sell the tax increases to voters. It is, in effect, a conspiracy of silence.

This week's local tax and bond measures are just a tuneup for what will likely be a much larger batch on the November ballot.

It's a well-established axiom of California politics that low-turnout elections, such as a non-presidential primary in June, are not as friendly to tax proposals as higher-turnout general elections, such as the one in November. Primaries tend to draw more older white voters who often shun taxes, while general elections have younger and more ethnically diverse electorates more attuned to taxes.

As local officials make plans to place those proposals on the November ballot, a bill making its way through the Legislature could skew local tax politics even more.

Senate Bill 958 would allow one school district, Davis Unified, to exempt its own employees from paying the $620 per year parcel tax that its voters approved two years ago.

The Senate approved SB 958 on a 24-19 vote last month, sending it to the Assembly. It's being carried by Sen. Bill Dodd, a Napa Democrat whose district includes Davis.

The bill’s rationale is that housing is so expensive in Davis that teachers and other school employees cannot afford to live there, and that exempting them from the parcel tax would, at least in theory, make housing more affordable.

However, if SB 958 becomes law, it would set a dangerous precedent. It doesn’t take much imagination to see local government and school unions throughout the state demanding similar exemptions from new taxes with the threat, explicit or implicit, that they would refuse to finance tax measure campaigns.

The very people who benefit most from additional taxes by receiving higher salaries and/or better fringe benefits thus would be able to avoid paying those taxes themselves.

Where would it end?

California’s pension problems are far from over

By **THE EDITORIAL BOARD** | opinion@scng.com |
PUBLISHED: June 5, 2018 at 6:30 pm | UPDATED: June 5, 2018 at 8:17 pm
While the California State Teachers’ Retirement System has been in the news lately for taking up the issue of gun control, CalSTRS’ poorly funded status and the threat rising CalSTRS pension costs poses to school district budgets and taxpayer wallets is a much bigger story.

Recently, it was reported that CalSTRS’ funded status declined to 62.6 percent as of June 30, 2017, down a percentage point from a year earlier. Practically, this translates to a funding gap of $107.3 billion as of that date, up from $96.7 billion the year before.

Fulfilling the pension promises made to CalSTRS members will come at considerable cost to taxpayers, teachers, school districts and the state. In large part, this is because the state is playing catch-up after years of significantly underfunding CalSTRS.

In 2014, the Legislature put in place a funding plan that is still in the process of ramping up. According to a recent report from the Legislative Analyst’s Office, while the combined contributions from the state, school districts and teachers was

$5.9 billion in 2013-14, those contributions are on track to hit $11.1 billion this year.

From 2013-14 to the current 2017-18 fiscal year, state contributions to CalSTRS have doubled, from $1.4 billion to $2.8 billion. Contributions from school and college districts have more than doubled in that same time, from $2.3 billion to $4.9 billion this year. Contributions from teachers have also increased, from $2.3 billion to $3.4 billion.
By 2020-21, the combined total will hit $15.1 billion.

Coupled with the pressure of higher costs associated with CalPERS, these rising pension costs necessarily mean less money will be available for actual education.

This state of affairs — which will only be magnified in the event of an economic downturn and lagging revenues — will add to continued pressure for tax increases to cover those costs.

Taxpayers who already feel overburdened should understand the fact that appeals for "more funding for education" fundamentally boil down to "more funding for pensions."

Because that is the reality of the fiscal situation in California.

We continue to call on lawmakers to pursue further pension reforms to mitigate this mounting problem.

Why We Need To Keep Politics Out Of Public Pensions

Christopher Burnham , CONTRIBUTOR*I work to keep politics out of public pension fund management*. Opinions expressed by Forbes Contributors are their own.

Public pensions are a vital part of American workers' long-term financial health. Whether they are police officers, firefighters, teachers, or the public servants of our states, counties, and cities, they depend on the 6,276 public pensions across the U.S. to safeguard their hard-earned money. Together, these funds are tasked with managing trillions of public workers' retirement savings.

Public pension funds are incredibly underfunded. Today, less than one third of public pensions are adequately funded using optimistic actuarial assumptions; no state would be considered adequately funded under market-based measures.

States alone are facing at least $6 trillion in unfunded pension liabilities, leaving millions of American public servants in jeopardy. A pension fund is considered adequately funded when it is about 70% funded. Unfortunately, many states are woefully below that mark. These include Connecticut (47%), Illinois (40%), Missouri (54%) and New Jersey (57%), using optimistic actuarial assumptions. Connecticut, one of the worst states, has an unfunded state pension fund liability of between $30 billion (using optimistic assumptions) and over $100 billion (using more market-based assumptions). Pension beneficiaries deserve to know that their money will be there when they need it.

Current figures don't inspire confidence that pensions will be adequately funded, and moreover, many don't take into consideration longer life spans and a realistic rate of return. Compounding the issue is the continued politicization of the public pension funds as a result of divestment campaigns and other political factors. The Institute for Pension Fund Integrity (IPFI) seeks to educate beneficiaries and taxpayers on the hidden unfunded liabilities in their pension funds, and to expose politicians seeking to impose a political agenda on their money. Beneficiaries are entitled to the peace of mind that decisions about their retirement money are being made based on fiduciary responsibility, not on politics.

Pension trustees have increasingly been pressured to insert political agendas into pension fund management. This has included past efforts to force divestment from companies that produce tobacco products, alcohol, gaming companies, guns, energy companies, and very recently, companies helping the U.S. modernize its nuclear missile fleet.

In one case, CalPERS in California divested from tobacco, which cost the state an estimated $2 billion to $3 billion. In New York City, Mayor Bill de Blasio has proposed to divest nearly $5 billion in fossil fuel stocks from the city's pension portfolio, which is estimated to cost the city $1.515 billion over the next 50 years. Pension boards in San Francisco and Seattle said no in recent months to similar proposals, understanding that political agendas in pension management ultimately result in decreased returns and hurts workers and retirees.

Mixing politics with pensions is a dangerous affair that jeopardizes people's money. While I was the Connecticut State Treasurer, the state was attacked for holding tobacco stocks, even though those stocks were only included as part of the S&P 500 index fund held in the State pension portfolio. Instead of allowing politics to affect state and teacher pensions then, the funds were refocused on generating returns and reducing risk. This approach took Connecticut from being the worst performing state pension fund in the nation from 1983 to 1993, to the top 25% in the country.

The recent movements underway to insert political agendas into pension fund management highlights that it's more important than ever to separate politics from public retirement fund management. If that doesn't happen, it will be America's public servants - including police officers, firefighters, and teachers - who will pay the price.

California's Public Pension Crisis: Why It Matters to You | Lawrence McQuillan,

PhD

Posted: Tue. June 5, 2018, 2:10pm PT

Click on the Link: https://youtu.be/v_08i4FnBvY

Independent Institute Senior Fellow Lawrence McQuillan presentation at The Liberty Forum of Silicon Valley on May 8, 2018.

We thank The Liberty Forum of Silicon Valley for your permission to post this video. For more information https://www.liberty-forum.us/ "California has promised generous pensions to government employees over the past several decades. These promises are already straining the state's finances and may eventually bankrupt us. Independent Institute Fellow Lawrence McQuillan explains how this will profoundly affect every Californian."