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MEMORANDUM
September 20, 2018

TO: RPEA

FROM: Marketplace Communications

RE: Daily Media Clips

Following are today's news clips:

DATE	PUBLICATION	TITLE & LINK	AUTHO
/19/2018	Sacramento Bee	Unions are putting thousands into a CalPERS election. Will workers actually vote? https://www.sacbee.com/news/politics-government/the-state-worker/article218632030.html	Adam Ashton
/20/2018	Forbes	The Opportunity Created by California's Overly-Generous Public Pensions https://www.forbes.com/sites/waynewinegarden/2018/09/20/the-opportunity-created-by-californias-overly-generous-public-pensions/#461669a74625	Wayne Winegard
/19/2018	San Diego Union-Tribune	Poway City Council considering special pension account http://www.sandiegouniontribune.com/pomerado-news/news/local-news/poway/sd-cm-pow-news-city-pensions-0920-story.html	Steve Dreyer
/17/2018	San Diego Union-Tribune	San Diego officials divided over accelerating pension debt payoff http://www.sandiegouniontribune.com/news/politics/sd-me-pension-debt-20180917-story.html	David Garrick

Unions are putting thousands into a CalPERS election. Will workers actually vote?

BY ADAM ASHTON
aashton@sacbee.com

September 19, 2018 04:00 AM
Updated September 19, 2018 04:00 AM

California public employees have less than two weeks to vote in a CalPERS board election that pits one of its longest-serving leaders against a police officer who argues the pension fund needs new oversight.

So far, fewer than 10,000 people have voted in an election that's open to more than 258,000 local government workers. Ballots are due by Oct. 1 and can be submitted online, by phone or through the mail.

Incumbent Priya Mathur and challenger Jason Perez are working to drive up turnout with social media campaigns and by touting their union endorsements.

Perez, a Corona police officer, has support from the California Police Chiefs Association and several Southern California law enforcement unions. He did not respond to a phone call or messages from The Sacramento Bee for this story.

Perez has raised about $30,000 in contributions from law enforcement unions and the Retired Public Employees Association. CalPERS board member Margaret Brown and former board member J.J. Jelincic also have contributed to his campaign.

Mathur, a financial analyst for the Bay Area Rapid Transit District, has been endorsed by State Controller Betty Yee and CalPERS board Vice President Rob Feckner. Mathur has raised almost $60,000 with large checks from various AFSCME chapters, SEIU Local 1000 and California Professional Firefighters.

Mathur, the CalPERS board president, also has been hitting the road to meet with government employees in person.

She has served on the CalPERS board since 2003 and contends her experience matters in encouraging policies that keep low health care rates and help the pension fund prepare for the next economic downturn.

Mathur says public employees seem motivated this year by the Supreme Court decision in June that banned public sector labor organizations from collecting fees from workers who did not choose to join a union but benefited from representation. Public employees, she said, view the decision as a blow against labor.

“This is a particular election where people really care about the outcome. It hits them personally. I don’t think they’re going to gamble on inexperience and empty general words,” she said.

Perez began attending CalPERS board meetings last year with other officers from the Corona Peace Officers Association. In general, he and his colleagues stress that CalPERS must earn more money from its investment portfolio to relieve pressure on local governments.

“It’s not that I want to be a board member,” he said at his debate with Mathur earlier this month. “It’s that we need to turn the board back in the direction it needs to go, which is maximizing returns.”

CalPERS has about 71 percent of the funds it would need to pay all of the money it owes to public employees and retirees.

The CalPERS board over the past two years has carried out a series of votes that required government agencies to kick in more money to fund their pension obligations. The votes raise financial pressure on local governments, but also put CalPERS in better position to navigate a recession.

“We knew that local governments were acutely hurting in (the last recession) and it was impacting workers at the bargaining table, so we felt that was not a good time to increase contribution rates,” Mathur said. “It’s 10 years down the road and most local employers are doing much better, so it’s time to take steps to solidify the fund.”

Mathur in 2014 faced a tough challenge from Sacramento Assistant City Manager Leyne Milstein. Only 16,875 workers cast ballots. She was fined $4,000 in 2014 by the Fair Political Practices Commission for failing to file campaign finance statements on time.

The Opportunity Created by California's Overly-Generous Public Pensions

Wayne Winegarden Contributor**i**
Policy*I analyze fiscal, regulatory, and other economic policies*

Americans are facing two very different pension outlooks. Most private sector workers contribute to 401(k) plans (which are often matched by employers), and rely on investments, savings, and Social Security for their retirement. But, their savings is inadequate.

According to a 2018 survey by Northwestern Mutual, 33 percent of Baby Boomers have less than $25,000 in retirement savings. No wonder nearly 4 out of 5 Americans are "extremely" or "somewhat" concerned about having a comfortable retirement.

Contrast these concerns with the comfortable retirement promised to state and local government workers. State and local workers are promised generous defined benefit pensions that few private sector companies offer any longer because they are unaffordable.

Making matters worse, thanks to complicit politicians, the state and local governments have failed to adequately fund these overly-generous pensions. The large and growing public pension debt crisis is the inevitable result.

Without changes, public employee pensions are not sustainable. But, fully funding these pensions is unfair to taxpayers who will inevitably be asked to pay higher taxes to fund pensions that are bankrupting the state. Further, higher taxes will jeopardize private sector workers' already tenuous retirement prospects.

These lavish pensions create reform opportunities. Due to overly-generous promises, the twin goals of ensuring a secure retirement for public sector workers can be achieved without bankrupting the states or imposing growth-crushing tax increases. A recent report I authored for the Pacific Research Institute illustrates this possibility for California's pension systems.

Exemplifying California's excessive pension generosity, there were over 40,000 retirees in California who were members of the "$100K Club," or those pensioners who took home pensions of $100,000 a year or more in 2017. The average take home pension for members of the $100K club was $124,000. While $100K club members were only 4.8 percent of state retirees, their pensions are an out-sized amount of the total payments - 15.1 percent of total public pension spending.

How does this compare to the incomes earned by regular Californians? The average pension earned by a $100K Club member is 83.6 percent higher than California's median household income. Worse, it's more than 150 percent higher than the average income for households over age 65. Capping the pensions of $100K Club members at $100,000 (a very generous pension) could save nearly $1 billion a year!

Even the non $100K club members are doing exceptionally well, particularly because the typical retiree's pension is not based on a typical full private sector career. The average California Public Employees' Retirement System (CalPERS) retiree worked for 45 percent of a typical career, while California State Teachers' Retirement System (CalSTRS) members averaged 55.6 percent of a typical career.

Since the average public sector worker had the opportunity to earn additional pension savings at other jobs, or could enjoy a longer-retirement, the value of the average retirees' pension is much more generous than it appears. Adjusting for the full-career, the average pension was worth over $78,000.

Why should hard-working Californians, many of whom face uncertain retirements, be asked to pay higher taxes, or endure painful budget cuts to schools, public safety, parks, and hospitals, to fund gold-plated public pensions? They shouldn't.

The good news: a pending state Supreme Court case could give politicians the power to adjust pensions for current workers going forward. Ignoring the political constraints, the ideal reform would adjust public pensions to factor in how long the employee worked for the state, and ensure payments are in line with what the average California household earns.

If pensions were adjusted such that the average full-career equivalent pension equaled California's median household income, a comfortable pension benchmark for the average government employee, California's pension system would save $5.5 billion annually. The current value of these savings over 30 years would be $68.5 billion.

Going a step further, if pensions were adjusted to the median income of California's retiree-aged households, the pension system would save $12.9 billion annually, or $160.2 billion over 30 years.

While the ideal reform recommendations are made without regard to what's politically possible, politics can't change economic realities. Without changes, California's current pension debts are unsustainable, and Californian's economic prosperity will suffer. While the political will may be lacking, the opportunity exists for state lawmakers to reform pensions, eliminate the pension debt, maintain California's fiscal viability, and still ensure that public employees have a secure retirement.

Poway City Council considering special pension account

Poway City Hall

STEVE DREYER

Poway City Council members informally agreed Tuesday night the city needs to get more proactive in dealing with steadily rising employee pension plan costs.

The city should seriously look into creating a "Section 115 Trust" into which surplus city funds can be invested, the council agreed during a non-binding "workshop" session. The fund would be used to make annual payments to the California Public Employee Retirement System (CalPERS), which administers the pension plans for most of the city's employees.

“Establishing a 115 trust would provide the city with an alternative to sending funds directly to CalPERS and would provide greater city control over assets and portfolio management,” City Manager Tina White wrote in a staff report.

The matter will return to the council next month following a final report on the now-closed 2017-18 fiscal year. Once it is determined how much surplus is available, the council will decide what to do with the money.

The city will be paying about $4.6 million to CalPERS this fiscal year, White said, with employees contributing another $1.3 million.

Poway, like other cities, counties and districts throughout California, has been seeing substantial increases in their required contributions to CalPERS, White said. Mary Beth Redding, vice president of a consulting firm hired in March for $14,250 to examine the city’s pension obligations, told the council the rate hikes will likely continue for many years and will not return to 2017-18 levels until about 2041.

“It’s not a pretty picture,” Redding told the council. The long string of projected rate hikes are attributed in part to fund investment losses during the Great Recession, the fact that retirees are living longer and a policy change by the CalPERS government board to become more conservative with investments, she said.

The retirement account for the 52 city’s safety employees, plus 44 retired employees, is 70.5 percent funded while the account for 176 miscellaneous worker, plus 239 retirees, is 73.3 percent funded. Together, that totals about a $47.5 million shortfall, the council was told. The last time the accounts were fully funded was 2007, the start of the Great Recession.

About 70 employees hired before 2012 are part of the now-closed Public Agency Retirement System. That plan is well funded since the council pumped $3.1 million in surplus money into it between 2015 and 2016.

Having the city withdraw from CalPERS is “practically impossible,” Redding said, as the fund would demand the city pay into the fund its full benefit obligations. That might cost the city between $170 million and $200 million, she said.

That leaves the options of either continue to pay directly to CalPERS or creating a Section 115 Trust, Redding told the council.

The trusts, around since 2014, have been a popular option with governmental agencies, Redding said, as the money placed into to them can be invested in a more broad range of categories.

The council sentiment seemed to be to proceed with establishing the fund and start it off with as much money as possible. How much that might be will be determined following a report on the close out of the 2017-18 fiscal year.

San Diego officials divided over accelerating pension debt payoff

David Garrick

Proposals to accelerate paying off San Diego's pension debt of $2.76 billion are sharply dividing the city's pension board, which decided on Friday to delay any decisions until late October or early November.

Supporters say the city's relatively strong financial position makes it possible and prudent to accelerate debt reduction by increasing the city's annual pension payment in coming years, which would likely require budget cuts.

They contend such a move would reduce the chances of leaving taxpayers with a long-term bill they can't afford and soften any crisis San Diego would face if the stock market suffers the kind of downturn many financial analysts are predicting.

Opponents of the idea say San Diego's pension system already takes among the most conservative overall approaches to pension debt in the state and that policies in place are projected to reduce the debt below $1 billion by 2038.

They also say that proposals to accelerate debt reduction would only quicken that pace by a few years, but would likely force the city to immediately cut services like road repair, library hours and parks maintenance.

A vote on the proposals was scheduled for Friday, but a board majority decided to delay any decisions to an upcoming board "retreat" where accelerating debt reduction can be considered among several related topics.

Pension system officials said no date has been set for the retreat but that it will take place in late October or early November – before the board's next regular meeting on Nov. 9.

The proposals seek to modify longstanding policies that soften the impacts of new pension debt by spreading corresponding increases in the city's pension payment over 15 or 30 years.

When the system suffers a financial loss, like the 2008 stock market crash, the new debt from such a loss is spread over 15 years instead of paid off immediately.

When the system's actuary decides it's necessary to change some assumptions, like how well the stock market will perform in coming years or how long retirees will live, new debt from such assumption changes is spread over 30 years.

A survey of 36 other pension systems conducted by the city's actuary, Gene Kalwarski, found that using 15 years for debt from financial losses is among the most conservative approaches.

The survey, however, found that using 30 years for assumption changes is among the least conservative, with 15 years being the most common and 20 years a close second.

Board member Bill Haynor said on Friday that San Diego should shift to 15 years, contending the city will probably never pay off its pension debt without such a move because a recession is inevitable.

He also said the city is in relatively strong position to cover higher pension payments thanks to a long bull market and thriving tax revenues from a sustained economic expansion after the downturn of 2008 and 2009.

"I think we have an opportunity right here and now to make an adjustment," he said. "The city's in better shape now than it's been in a long time."

Board member George Kenney agreed that policy changes make sense.

"These are the good times -- we should prepare ourselves for an eventual downturn, could be five years from now or it could be tomorrow," he said.

The city's projected pension debt has increased from $1.2 billion to nearly $2.8 billion since 2007.

Some say the city could be on a path toward repeating underfunding schemes more than a decade ago that caused huge pension payment increases, drastic budget cuts and eventually earned San Diego the nickname “Enron by the Sea.”

Kenney said the city quickly absorbing a higher pension payment could help avoid such scenarios.

"I hope the city can weather that because it could make a big difference in the future," he said.

Kalwaraski, the actuary, recommended the board stick with the 30-year policy for debts caused by assumption changes, contending that San Diego already has the most conservative policies in other areas.

That includes a 6.5 percent long-term projection of investment growth, the lowest in the entire state. The city dropped that rate just last year from 7 percent, which spiked the pension debt by $549 million.

Lower investment returns hike pension debt because the greater the return on pension system investments, the less taxpayer money the city needs to spend longterm covering pension payments to retired employees.

Board member Almis Udrys agreed with Kalwarski. He said San Diego is clearly among the most conservative pension systems in the state, despite the 30-year policy on spreading out debt from assumption changes.

Udrys also said it makes sense for the board to consider changing the 30-year policy at the same time it discusses related topics at the retreat.

Those topics may will include whether the city should strive to increase the percentage of its pension debt that’s fully funded above the current 70 percent, what the new percentage should be and how quickly the city should try to get there.

"I think we owe it to our members to sit down and have a strategic planning session and talk through all the various levers we discussed," he said. “I think without that session I wouldn't be prepared to really change anything."

Board chairman Valentine Hoy said he was prepared on Friday to replace the 30-year policy with a 20-year policy, which he called “low-hanging fruit.” Hoy eventually agreed that any policy changes should be discussed during the retreat.

Board member Jeffrey Wallace said he has no interest in the proposed policy changes.

“This is a money grab,” he said, contending the pension system was trying to take money from the city and pension system members based on the vague threat of a recession.

He also noted that a state Supreme Court ruling last month that San Diego’s 2012 pension cuts were illegal could force the city to open its pension system to thousands of employees hired since then.

“We are making drastic changes to a plan that may be evolving in the future,” he said.

Wallace also said Haynor and other policy change supporters have overstated the city’s financial well being, noting that the city has been forced to make targeted budget cuts two years in a row.

Ian Clampett, deputy chief of staff for Councilman Chris Cate, offered similar sentiments and urged the board to not make any changes.

“We want to make sure decisions are made based on a presumption of what services taxpayers have to forego," Clampett said.

Board member Thanasi Preovolos disagreed, contending board members should only consider the impact on city finances of a policy change if they have a genuine concern the city could eventually default on pension payments to retirees.

"I really want to stay away from 'the city can afford' and 'the city can't afford,'" he said. "It's not our job to decide what's good and bad for the city. The city entered into its (labor) agreements to fund this benefit. Our job is to make sure that benefit gets paid for."

Changing the 30-year policy to 15 years for debt from economic assumptions would increase the city’s annual pension payment by roughly $7 million per year. The city’s pension debt would drop below $1 billion in 2034 instead of 2037.

Pension costs hang over vote on $1.4M grant to hire firefighters

Mon, 09/17/2018 - 7:00am | Tracy Crane

DANVILLE — In the next three weeks, Danville aldermen must make an already-controversial decision to either accept, or reject, a $1.4 million federal grant to hire six new firefighters.

Some aldermen are not convinced that hiring additional firefighters with federal dollars is the most feasible move.

The sticking point: The grant would pay about 75 percent of the annual cost of six positions for two years and 35 percent the third year.

And after that, the city is on its own.

Alderman Lloyd Randle (Ward 7) said the council must determine what hiring additional firefighters will do long-term to Danville's pension costs, which have increased each year despite the city continuing to decrease the number of firefighters.

"This is a mounting cost that's killing us," Randle said.

The department currently has 39 firefighters, including one training officer. In 2000, the city had more than 60 firefighters. By 2009, it was about 50.

Leaders of the firefighters' local union, International Association of Firefighters Local 429, have argued that personnel have been reduced to a point that it puts at risk the lives of citizens in Danville and firefighters themselves. This grant would help the department meet industry minimum standards for fire department manning.

Randle also said he will not support accepting the SAFER (Staffing for Adequate Fire and Emergency Response) federal grant to hire firefighters if adjustments aren't made to reduce the hundreds of thousands of dollars the city pays each year in overtime in the department.

"We've got to get it figured out or I'm not going to support it," Randle said.

Firefighters made a presentation to the city council about the SAFER grant earlier this summer and told aldermen at that time that the savings to the city would come through the reduction of OT costs — budgeted at $600,000 this fiscal year.

Mayor Scott Eisenhauer said four months into the fiscal year, the fire department's overtime is running over budget, and if the pace continues, the city would end the year $200,000 over.

Adding six new firefighters would cut overtime costs from $600,000 to $100,000, department members estimated in their presentation to the council.

Danville firefighters took the initiative to apply for the federal grant, which the city must formally accept by Oct. 7, or forfeit the funds.

Firefighter Ryan Allison, who wrote the grant application, said the department may not get another chance at this federal money.

Randle and Alderman Rickey Williams Jr. (Ward 1) both said that council members who have firefighter relatives should recuse themselves from a vote on whether to accept the grant.

Three aldermen have either a son or son-in-law who serve in the department.