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RPEA MEDIA SURVEY

RPEA is a non-profit association of retirees and active employees who are members of CalPERS.

MEMORANDUM
December 6, 2017

TO: RPEA

FROM: Marketplace Communications

RE: Daily Media Clips

Following are today's news clips:

UBLICATION	TITLE & LINK
uis Obispo Tribune	SLO County will cover its pension shortfall by making employees pay more http://www.sanluisobispo.com/news/local/article188148294.html
e Mercury News	Editorial: Striking Oakland workers killing the goose that lays http://www.mercurynews.com/2017/12/06/editorial-striking-oakland-workers-killing-the-goose-that-
rnia Local Elected Officials	Pension Questions To Ask Your Agency's CFO, Actuary & Auditor https://calocalelectedofficials.org/pension-questions-ask-agencys-cfo-actuary-auditor/
Fee.org	Risky Green Investments Won't Save Public Pensions https://fee.org/articles/risky-green-investments-wont-save-public-pensions/
The Reporter	Dixon school leaders will reorganize board, hear budget report http://www.thereporter.com/article/NG/20171205/NEWS/171209914

SLO County will cover its pension shortfall by making employees pay more

BY MONICA VAUGHAN

mvaughan@thetribunenews.com
DECEMBER 05, 2017 11:06 AM

UPDATED DECEMBER 05, 2017 12:24 PM

San Luis Obispo County employees will again pay more to help fully fund the county pension plan, the Board of Supervisors unanimously decided Tuesday.

This is the third year in a row that supervisors have approved an increase in contribution rates into the San Luis Obispo County Pension Trust — an independent retirement system that provides benefits to employees of the county and some other agencies. Contribution rates are set by the trust's Board of Trustees and must be approved by the supervisors.

The increase is needed due to a shortfall caused by three factors, according to the trust managers:

The vote Tuesday calls for a combined 2.38 percent pension rate increase that will be implemented January 1, 2018. That comes on the heels of a 5.17 percent increase in 2017 and a 1.02 percent increase in 2016.

How public agencies will pay for rising pension costs has been a common question across the state, especially for those in the California Public Employees' Retirement system, or CalPERS. The city of San Luis Obispo is looking to address its projected budget shorfall from rising pension costs by cutting city services or asking employees to contribute more.

Managers of the county Pension Trust said they've been able to prevent larger increases by keeping a close watch on the fund, lowering the expected return on investments and updating mortality assumptions.

"As a result, the forecast for pension cost increases for the county are less dramatic than those facing CalPERS agencies," a staff report says.

Rates paid by employees are based on the employee's age of entry, tier, bargaining unit and classification.

Editorial: Striking Oakland workers killing the goose that lays …

More than 3,000 civilian employees of the City of Oakland are on a one-day strike to reinforce their demand that the city's negotiators deal with them in good faith on Tuesday, Dec. 5, 2017 in Oakland, Calif. (Laura A. Oda/Bay Area News Group)

By EAST BAY TIMES EDITORIAL BOARD |
PUBLISHED: December 6, 2017 at 6:02 am | UPDATED: December 6, 2017 at 8:48 am

Oakland city workers seem hell-bent on killing the goose that lays their golden eggs.

About 3,000 employees went on strike illegally Tuesday insisting Oakland officials fatten the city's offer currently on the negotiating table. The city cannot afford it; council members have already offered too much.

The strike, which is expected to continue Wednesday, has closed services like Head Start, senior centers, libraries, recreation centers and after-school programs. Basic city functions like checks of building plans, fire inspections, parking enforcement and street sweeping were also brought to a halt. Only police and fire protection continued.

"It's horrible," said Mayor Libby Schaaf. "But it would be more horrible to make financial decisions that would damage the ability to provide these critical services for the long term."

She's absolutely right. She and the City Council must draw the line.

Despite Oakland's booming economy, the city's finances continue to deteriorate. The five-year financial forecast, released early this year, showed the city faced a projected $100 million annual shortfall by the 2019-20 fiscal year.
Meanwhile, the city's huge debt for employee retirement plans continued to grow, reaching $2.8 billion at the last accounting, or an average $17,500 for each household in the city.

The city has long needed to trim spending to bring finances under control and start paying down debts. But Schaaf and the City Council did just the opposite. Since 2014, they have hired back some 500 workers the city couldn't afford.

Like all Oakland city employees, those workers and their family members can receive fully paid health insurance, at a cost of about $25,000 per employee.

And they all receive generous pension benefits, for which the city's payments will increase 49 percent over the next five years, to more than $204 million annually.

This is unsustainable. But rather than recognize the financial realities, two labor unions — representing everything from maintenance workers and clerical staff to managers and attorneys — want more.

The unions and city officials agree that the negotiations have not reached impasse, a key legal requirement before workers can strike. But workers walked off the job anyway.

The council is scheduled to meet in closed session at 1 p.m. Wednesday to discuss the negotiations. The only responsible option is to stand firm.

City workers already received an 8 percent raise for the two-year period that ended June 30. Now the city is offering an additional 4 percent for the current fiscal year and, if revenues exceed expectations, 2 percent more next fiscal year.

In other words, a total of 12 percent to 14 percent over a four-year period in a city that can't afford to pay its current obligations. And the unions aren't satisfied.

It's insanity. It's time to stop. Or the city will be driven to the financial brink and eventually forced to lay off hundreds of employees again.

That wouldn't be good for Oakland, and it wouldn't be good for the workers.

Pension Questions To Ask Your Agency's CFO, Actuary & Auditor

December 4, 2017/in Policy Briefs /by Ed Ring

The following list of questions, compiled by the Reason Foundation, offers the opportunity to develop an in-depth understanding of any public agency pension plan. This list can be useful to any local elected official, journalist, or citizen activist who wants to know much more about how pension obligations affect the financial health of their city, county, or other public agency. These questions were compiled by Lance Christensen, formerly with the Reason Foundation, who is now Chief of Staff for State Senator John Moorlach. Christensen presented these questions as part of a day-long training and networking event for local public officials sponsored by the California Policy Center on Dec. 2, 2017 in San Ramon, California.

PENSION QUESTIONS TO ASK YOUR AGENCY'S CFO, ACTUARY, OR AUDITOR
Legal Framework

1 – Which laws, charters or collective bargaining agreements govern pension systems?

2 – If dealing with a city or county, is the jurisdiction a "general law" or a "home rule/charter city/county"?

3 – What have been the most recent changes in the law (legislation or ballot initiative)?

4 – Are there constitutional protections or judicial precedents (of any part of the system) that need special attention?

5 – If there has been litigation regarding pension systems, what, if any, are controlling precedents or requirements mandated by previous court settlements or cases?

6 – Who controls changes to the pension benefits? Pension board? State legislature or local governing body? Do taxpayers have access to the ballot initiative or a referendum on pension benefit levels or increases?

7 – Have there been any labor contracts or pension benefit packages that were negotiated and agreed upon that lack or do not conform with required municipal code or state statutes?

Plan Structure

1 – What types of plans are offered? Is there only defined benefit, or is there a hybrid with a defined benefit option as well?

2 – What are the pension calculation formulas?

3 – How is "final average salary" calculated?

4 – What are the contribution requirements for the employer and employees?

5 – What is the cost of living (COLA) structure?

6 – What are the allowed retirement ages?

Governance Structure

1 – Who or what governs the system—is it an appointed board?

- What are the requirements for membership on the pension board?
- Are board members appointed or elected? By whom?
- Are board members chosen for political considerations or because of a specific professional qualification or some combination of the two?
- Have the board's previous activities and expenses been audited? Recently? Ever?

2 – What are the system's former and current collective bargaining agreements, memoranda of understanding or labor negotiation procedures?

3 – What is the target funding ratio for the plan?

4 – Is information on the pension plan transparent and readily available? Is there a website providing easy access to detailed information about the pension plan?

5 – What are the financial controls for the pension plan? Are they being followed? How do they stack up against those required of private pension systems?

6 – What are the investment targets used by the plan? What is their track record at hitting investment return goals?

Sustainability and Fiscal and Budgetary Impact

1 – What is the current status of the fund—in real and future dollars— including all the liabilities on the system?

2 – What are the assumptions that play into these numbers?

3 – Are there any cost escalators or cost of living adjustments (COLAs) that need to be considered or that are embedded in the system?

4 – Is there an extraneous benefit or a preservation of benefit for which the pension system is paying?

5 – Are your jurisdiction's disability payments routed through or comingled with the pension system? If so, how are these accounted for? Are disability payments counted in the unfunded liability valuation?

6 – How has your jurisdiction handled its annually required contribution (ARC) payments?

7 – What percentage of the jurisdiction's budget has been ARC payments during the past 10 years? Is the system allowed to contribute less than 100 percent of its ARC payment in a particular year?

8 – What is the discount rate associated with each of the ARC payments? How do those discount rates compare with actual returns on investment in previous years?

9 – What are the ranges and averages for payouts, including salary, health care and other benefits for the following classifications of pensioners? (a. Full-time b. Part-time and/or seasonal c. Retired annuitants d. Others)

10 – How many of these pensioners have other supplemental pension funds, including a defined contribution plan with contributions from the jurisdiction?

11 – What are the comparative pay ranges for similar jobs and classifications? How do the jurisdictions' and retirees' benefits compare?

12 – When the jurisdiction has returns above expectations, what is done with those excess funds?

13 – What is the ratio of current employees versus retired employees supported in the jurisdiction's pension plan?

Risky Green Investments Won't Save Public Pensions

Fund managers can use their influence to signal their virtue via proxy votes for green investments and bear no cost.

by Logan Albright

It's no secret that a number of state and city public pensions are in crisis. From Puerto Rico to Detroit to Illinois (and many other states, as we will soon come to discover), governments have made promises to their public employees that simply cannot be kept, which has already resulted in financial crises in several localities that have put enormous pressure on governments.

> Recognizing this, some analysts have suggested that a switch from fossil fuel holdings to green energy technologies such as solar and wind might be prudent for pension managers, pointing to the strong performance of many of these stocks over the last several years in comparison with traditional oil and gas. Such a transition would also have the benefit of satisfying ethical concerns and social responsibility considerations many of these people profess. The responsibility of any public pension manager should first and foremost be to the shareholders.

It's worth asking whether these arguments stand up to scrutiny, or if they merely represent wishful thinking on the part of a set of policymakers and analysts whose political and environmental biases trump sound economic policy.

Green Investment

The responsibility of any public pension manager should first and foremost be to the shareholders. How best to accomplish this may be a matter of some debate; a pension manager may privately loathe the petroleum industry and wish for a rapid switch to biofuels, but his public duties demand that he do what is best for the pension holders, not for his conscience.

If we allow pension managers to substitute personal biases for fact-based investing strategies then any number of unintended long-term outcomes may result, with the retirements of public servants being frittered away on investments that might result in good optics, but not actual returns.

But what if more green energy production really does represent the sound actuarial choice? That perspective cannot be resolved merely by examining the recent past: while some green energy stocks have indeed performed well over the short term, it is a far from a conclusive trend, and the reality – regardless of passive investor behavior – is that while our nation's reliance on petroleum and coal may slightly diminish over the near term it is not going to disappear anytime soon.

Environmentally-driven funds made up 4 of the 9 worst performing funds in the CalPERS portfolio.

For index fund managers and pension fund leaders to push an environmental agenda on the companies they invest in potentially entails more risk and lower returns on the wealth of those whose money they hold. According to a new report from the American Council for Capital Formation (ACCF), the California Public Employees Retirement System (CalPERS) – the nation's largest public pension fund – has ramped up its focus on such ventures. The result: environmentally-driven funds made up four of the nine worst performing funds in the CalPERS portfolio and represented none of the system's 25 top-performing funds as of March 31, 2017.

As this focus on ESG-efforts has increased, CalPERS has moved from a $3 billion pension surplus in 2007 to a reported $138 billion deficit today. Yet those who manage the fund remain unwilling to put their own money on the line. The personal investment portfolios of the fund's Chief Investment Officer and at least two other senior executives report no ESG-related investments at all.

Influence and Risk

There is a very real danger that organizations like CalPERS and other large state and local government retirement funds may collectively become large enough to influence corporate behavior should they choose. One would hope this power is used solely for the good of its retirees – and there is some evidence that they have achieved some tangible improvements in corporate governance using their power in the past – but the political calculus of index fund "managers" investing money for government pensions have a modicum of freedom.

Fund managers motivated in part by political considerations can use their influence to signal their virtue via proxy votes for green investments and bear no cost – just the opposite, in fact. In such a situation, it is future pensioners and future taxpayers who bear the risk and future cost owing to these potentially lower returns.

When people's careers are on the line, such decisions are carefully considered and thought through.

An example from the real world will be illustrative. With the acknowledgment that tobacco products are hazardous to the health of users, some investors assumed that the share prices in major tobacco companies would decline steadily over time. CalPERS managers concluded as much, and in response they divested their holdings of tobacco companies in 2000, allowing it both to claim the moral high ground while at the same time assuring retirees this decision will lead to higher long-run returns on their investments.

In fact, the decision to divest appears to have cost these pension plans as much as $3 billion in forgone returns. Even things that can appear to be an obvious winning bet can be anything but. When people's careers are on the line, such decisions are carefully considered and thought through. But if it's merely the well-being of government coffers at stake, dubious logic can win the day.

It may be tempting to urge public pension managers to take a more proactive role and bet against companies whose products we, for whatever reason, disapprove of, or for those managers to use their positions to influence the business decisions of firms in which they have a stake. However, it would be much better for government workers, retirees, and taxpayers today and in the future if the investors managing the money of public pensions prioritized sound financial policy above all else.

Dixon school leaders will reorganize board, hear budget report

By Richard Bammer, The Reporter, Vacaville

POSTED: 12/05/17, 7:13 PM PST | UPDATED: 4 HRS AGO
0 COMMENTS

As they will in Vacaville, Dixon Unified leaders, when they meet Thursday, will reorganize the governing board and elect new officers, hear the 2017-18 first interim budget report, and solicit ideas about program offerings and "facilities challenges" at Maine Prairie High, the district's continuation school.

Guy Garcia, president of the five-member governing board, will give up his gavel. Trustees will elect a new president, vice president and clerk.

As chief business officer, Melissa Mercado will update the board on the 2017-18 first interim budget, one of two annual summaries of the 3,500-student district's financial status.

Revenues are expected to be $33.1 million, expenditures $33.9 million, resulting in $800,000 in red ink. The estimated ending fund balance is nearly $2 million.

Mercado's numbers come are California school districts face increasing employee pension costs in several future years and as teacher unions clamor for member pay hikes.

She also will lay out numbers for the two outlying years, with expenses for the 2018-19 academic year projected to be $25 million and $25.5 million for 2019-20.

Superintendent Brian Dolan will lead the discussion about the program offerings and facilities challenges at Maine Prairie, although agenda documents did not include details.

In other matters, Dolan will lead an update on the transition of district sixth-graders to a middle school setting.

The district has scheduled its winter break from Dec. 18 to Jan. 5, according to agenda documents.

The governing board meets in open session at 7 p.m. Thursday in the City Council chamber, 600 A St., Dixon.