CalChamber

COALITION FOR PENSION REFORM

## CALIFORNIA PENSION REFORM FACTS

- Governor Jerry Brown and legislative leaders have said their top priority before the end of session is to reform our "broken pension system." As pension costs rise funding for higher education, parks, courts and social services is crowded out. It is important for state leaders to heed the Governor's advice to "do something real" on pensions.
- Pension costs are the fastest growing expenditure for city and county governments. In 1999, pension costs were 4.1% of aggregate municipal spending; by 2011, that figure had more than doubled to 9.6%. Between 1999 and 2010, pension spending grew at 11.4% per year, twice the growth rate for education, public safety, parks, health and sanitation. According to the *Los Angeles Times*, this will mean "more layoffs or pay cuts for public employees, higher taxes, fewer services, or all of the above."
- Voters in three of the four largest cities in the state – San Diego, San Jose and San Francisco – have approved sweeping reforms to their employees' pension plans. Other cities, large and small, are prepared to follow suit to avoid the fate of Stockton and San Bernardino, two cities that have recently declared bankruptcy.
- We believe that Governor Brown's proposal is an important first step toward pension reform. Much more needs to be done to fix our broken pension system, but this plan is an important step in the right direction and a clear sign to Californians that the issue is being taken seriously.

## STATEMENT OF PRINCIPLES

**I/we support each element of Governor Brown's pension reform package, as he introduced it on October 27, 2011.**

**In particular, I/we urge the Legislature to vote in favor of:**

- Enacting a new hybrid pension plan for state and local employees, including a defined contribution benefit that is managed to reduce risk to employees. Taxpayers can no longer absorb all the risk for retirement plan investments. A balanced plan that provides adequate retirement benefits and responsibly shares risk is the right path forward for taxpayers and government workers.
- Increasing retirement ages for state and local government workers. Today, many public employees are eligible to retire with full benefits at the height of their productive years and receive literally decades of taxpayer-guaranteed retirement benefits.
- Ending pension spiking and gaming. Retirement formulas must be computed on the base salary over at least a three-year average – not by adding sick leave, uniform allowances or other pay perks, or by basing it on just a single year's pay.
- Ending sweetheart deals. Pensions should not be increased retroactively, employees shouldn't be able to purchase more years of salary base for years not worked, and neither employees nor government agencies should ever pay less than half of the annual true cost of the pension obligation. Both sides should make their required payments every year, without exception.
- Reforming health care plans for retirees so that they are fully funded, include at least minimal contributions from the beneficiaries, are available only to long-term employees, and are no richer than health plans for existing employees.

**I/we oppose and will expose efforts to dress up phony reforms as the real thing.**

| | | |
|---|---|---|
| [signature] | 8.23.12 | RICK WELLS |
| *Signature* | *Date* | *Name (please print)* |
| SAN RAFAEL CHAMBER OF COMMERCE | | PRESIDENT AND CEO |
| *Organization* | | *Title* |