

Chuck Reed speaks on Pension Reform Initiative -- 3/20/14

Vallejo Police to hold open house March 29

from 11-4 at Community Service Headquarters -- 2 Florida St. FULL INFO HERE

Chuck Reed Speaks on Pension Reform Initiative

or...

Two Democrats walk into a Texas style rib joint full of conservative Republican taxpayer advocates…and there were no lynchings …

3/28/14 -- Stephanie Gomes with Marc Garman

On March 20, Marc and I journeyed across the bridge to the Contra Costa County Taxpayers Association meeting. Held at the Back Forty Texas Barbecue Restaurant for a presentation on pension reform. It was like old home week — the CoCo County folks are on top of the pension tsunami and fighting for pension reform in Sacramento and around the State. It just proves that this issue isn't Democrat or Republican, it is a taxpayer issue plain and simple.

This meeting featured San Jose Mayor Chuck Reed, who is leading the charge to put a pension reform initiative on the statewide ballot. Mayor Reed, along with myself and Mayor Bill Kampe of Pacific Grove, Mayor Pat Morris of San Bernardino and Mayor Tom Tait of Anaheim, are the proponents for the current ballot measure. I was honored to introduce Mayor Reed after giving a brief synopsis of Vallejo's pension woes.

Watch the video, Mayor Reed presents the pension problems in a pretty simple and down to earth way — in layman's terms (and for an attorney, that's not easy!). My favorite quote of Mayor Reed's speech, after talking about the personal and political costs we are all taking by stepping out and signing on to this initiative: “The cost of doing nothing, the pain of doing nothing, is far greater than not taking on the fight.”

His key points:

- The City of Pacific Grove is on their third ballot initiative — and has spent 600,000 hours defending the various ballot initiatives

- San Jose has spent \$3 million to write and defend their successful pension reform initiative

- During the last decade, San Jose saw a 20 percent increase in revenues; but costs went up by 85 percent in that same time. Retirement costs went from \$73 million to \$245 million per year during this time period.

- The police department is a core service, there's no argument. During the last decade, San Jose increased the police budget by nearly \$100 million dollars, yet had less officers working at end of decade than it had at the beginning.

- SB400: retroactive benefit increases were given in 2000, giving safety employees 3% at 50. This trickled down and effected everyone in the state. When it first passed, CalPERS said it could be done without costing taxpayers a dime. Technically they were correct. It didn't cost a dime — it cost \$17 billion. So that's where it really all started.

- California: in the last decade, taxpayer dollars spent on public employee retirement costs/plans across the state increased from \$3.4 billion/year to \$17.4 billion/year. This is for local, state, and county plans. These are the State controller's numbers. It's happening all over the state.

- The Governor's budget shows a \$218 billion unfunded liability: CalPERS is requiring cities to pay an increase of costs of 50% over the next six years. CalSTRS needs \$4 and \$5 billion per year of additional funding to cover their retirement plan. They're using an optimistic scenario assuming 7.5% investment return per year for 30 years. Even they note that there is less than a 50-50 chance of this occurring.

Things I (Mayor Reed) learned on the job:

- Benefits are too expensive. Government can't afford to pay the true full costs of benefits, and employees can't either. That's what has driven the desire to kick can down the road. We simply can't afford it.

- You can't reduce costs with changes in assumptions — benefits cost what they cost. It doesn't matter what you thought you'd earn on investments or how long retirees might live. You have to pay the cost in dollars. Actuarial movements only shift the costs, they don't reduce them.

- The sooner you start dealing with the problem, the better off you are…but the sooner you start, the harder it is to convince people that we need to deal with the problem now. But if you wait too long, when something bad happens, you've lost your options, and BK becomes your only option.

Pension Reform Initiative:

- CA Vested Rights Doctrine — the California Rule. This rule is in the way of major changes for cities. The California Rule is not written in the Constitution, it comes out of case law interpreting the Constitution.

- There are two ways to change the California Rule. Get a case in front of the California Supreme Court for them to interpret. The San Jose and CoCo County cases are both headed there. Hopefully the Court will straighten out the law. That's a couple of years away. The second thing we can do is amend the California Constitution.

- So we're proposing to put something in the California Constitution that states very clearly that local governments have the authority to negotiate changes with current employees for future benefits for future work performed.

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The initiative does not touch what employees have already earned, it is just for future earnings for future work.

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This will be a statewide ballot initiative — four of the flve proponents are Democrats. Democrats led us in to this trouble, Democrats need to get us out of this trouble. Democrats need to lead the way.

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This initiative is empowering, not prescriptive — it doesn’t say that defined benefit plans are good or bad, or what retirement benefits should be. It gives mayors (councils) the power to do what they need to do for their own cities: go to the bargaining table and negotiate changes for future benefits for future work that has yet to be performed. This may be radical in California, but 18 other states allow this.

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This is not a total solution, but it is a reasonable solution for a complex problem. San Jose, San Diego, Pacific Grove – voters support pension reform. But it’s not easy to get it in front of the voters.

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Status of initiative:

The Attorney General prepares a 100-word summary of what the initiative is about. The summary the AG did was inaccurate and misleading. So we filed action in superior court. The Court declined our request to change the Attorney General’s language. The Judge said we had to give deference to the AG. We’re deciding on whether to appeal. But we’d need 807,000 signatures to be turned in by end of April to qualify for the 2014 ballot. So we don’t have time to do this for 2014. So we’re stepping back, polling on the language the AG put out, and pressing ahead for 2016. Because the problem isn’t going away, it’s only getting worse. Voters will support reasonable and fair pension reform.