

Richman dusting off his pension attack.

[Calpensions](#)

Pension initiative via Internet By Ed Mendel (January, 2009)

Former Assemblyman Keith Richman, R-Northridge, may use the Internet to gather signatures and raise campaign funds for a public employees pension initiative, a tactic used by President Obama in his successful campaign.

But first the Legislature would be asked to pass a measure, sponsored by the Howard Jarvis Taxpayers Association, that would reduce pension costs for new state and local government employees by increasing the retirement age and capping benefits.

Richman said the new initiative will be similar, with some minor changes, to an initiative proposed two years ago by the California Foundation for Fiscal Responsibility, an organization he heads.

An initiative that would reduce pension benefits for future state and local government employees is virtually certain to draw well-funded opposition from public employee unions.

A hard-hitting campaign by the unions caused Gov. Arnold Schwarzenegger to drop his support for an initiative Richman proposed four years ago that would have switched new public employees to a 401(k)-style investment retirement plan.

Then the unions, led by more than \$50 million from the California Teachers Association, continued a campaign that led to voter rejection in November 2005 of all four of Schwarzenegger's "Year of Reform" initiatives.

"We are working on it," Richman said of the new initiative. "The difficulty has been raising money against the unions. So we are having conversations with people about using an Internet-based approach for our signature gathering and fundraising."

Richman said another proposal to switch new state and local government employees from a guaranteed monthly retirement check to a 401(k)-style plan, with an individually controlled investment fund and deferred taxes, would not be "realistic" politically.

He said the new plan achieves the three main goals: cost savings, budget predictability and no new unfunded liability. Contributions would be reduced from about 15 to 5 percent of payroll, he said, less than the 6 or 7 percent for some 401(k) plans.

The Richman [group's plan](#) of two years ago would cap retirement payments, which can now be as much as 90 percent of the final salary, at 60 to 67 percent of the final salary when combined with any Social Security payments.

The full retirement age for police and firemen, now often 50, would be increased to 55. Retirement for others, now often 55 to 60, would be increased to Social Security retirement age, 65 to 67.

Richman said Social Security eligibility includes medical coverage by Medicare, which would stem the growth of an unfunded obligation for state and local government retirees estimated by a commission last year to be \$118 billion over the next 30 years.

"Our proposed initiative does not impact current employees or retirees," said Richman. "Our position is that the promises that have been made to current employees and retirees should be kept."

The renewed initiative drive comes as pension fund investment portfolios have been hit by the stock market crash. Some think that state and local governments will have to increase their pension contributions, reducing the money available for other programs.

The Center for Retirement Research at Boston College estimates that 109 state pension funds lost \$865 billion between October 2007 and last month, about 30 percent of their value.

"Taxpayers will have to ante up," Alicia Munnell, the Boston center's director, told the [Economist](#) magazine.

The giant California Public Employees Retirement System, which administers 2,000 plans covering half of all state and local government employees in California, has warned that employers will have to pay more if the market doesn't recover by June.

CalPERS estimates that the contribution rate, currently averaging 13 percent of payroll, could go up by an additional 2 to 5 percent of payroll. The increase would begin in July 2010 for funds covering state workers and non-teaching school employees.

Because of the time needed to make separate calculations for the large number of funds, said a CalPERS spokesman, a contribution rate increase for the local government funds would not begin until July 2011.

Outside of CalPERS, there are separate California public employee pension systems in 20 counties, 32 cities and 25 special districts. A few pension systems, notably San Diego city, were in trouble before the stock market crash.

The governor's Public Employee Post-Employment Benefits Commission reported last January that the state's pension systems were on average 89 percent funded, above the 80 percent some experts think is the minimum for adequate funding.

In an illustration of the sweeping impact of stock market volatility, the commission said that the average funding for the pension funds had soared to 118 percent in 2000 during a high-tech boom.

The chairman, Gerald Parsky, said the commission did not get into the issues of retirement age and benefit levels because they are determined by collective bargaining between the government agencies and unions.

The commission, sounding the alarm over the unfunded \$118 billion retiree health obligation, made eight broad recommendations including independent analysis and coordination with Medicare that have for the most part been embraced by the unions.

On a [web site](#) responding to the Richman initiative of two years ago, Lou Paulson, president of the California Professional Firefighters, said the commission recommendations are "reasonable" proposals to ensure adequate pension funding.

"But instead of giving the governor and the Legislature time to act on these recommendations, unreasonable partisan ideologues like Keith Richman would rather punish firefighters and other public employees than seek fair solutions," Paulson said.

At the local level, voters in San Diego in 2006 and in Orange County last November approved measures requiring that pension benefit increases be approved by voters, similar to a long-standing requirement in San Francisco.

Orange County Supervisor John Moorlach, who calls Richman a "hero" for tackling a difficult issue, said he has talked to wealthy potential contributors to a pension initiative campaign who are wary about spending money on a lost cause.

"It gets back to the same issue of people feeling nervous about funding something that the unions are going to come at en masse — not just in California but around the country," he said.

Moorlach said passing more local measures requiring a public vote on pension benefit increases might build support for a statewide initiative. The Orange County measure got 75 percent of the vote, but had no union opposition.

Some union officials told reporters that the unions already have the benefits that they want. Moorlach said he thinks that some unions may seek more benefits and that unfunded retiree health care remains a major unresolved issue.

"Most of the big horses are already out, but there are still ponies in the barn," said Moorlach.

McCAULEY INITIATIVES: RPEA continues to warn voters not to sign any petitions backed by Paul McCauley, the author of the so-called *Public Employee Pension Reform Act*. That measure would change the state constitution to allow the renegotiation of public employee pensions for current and future retirees. But, in order to be placed on the next election ballot, McCauley would have to collect 694,354 signatures from registered voters by June 11.

McCauley, a Santa Monica accountant, has recently received approval to circulate another petition called the *McCauley Pension Recovery Act*. This proposal would impose an excise tax on public retirees with taxable annual incomes exceeding \$40,000. The taxation formulas and other details of the second proposal have not yet been analyzed by CalPERS or others, but RPEA is opposed to any further taxation of its members.