

# **We Are The Greatest Generation**



## **Retired Public Employees Association of California - Chapter 25**

**EL DORADO PARK SENIOR CENTER  
2800 Studebaker Road • Long Beach CA 90808**

**Chapter 25 meeting will be on  
Tuesday, January 28, 2020 at 10:30 a.m.  
El Dorado Park Senior Center  
2800 Studebaker Road, Long Beach, California.  
*After the meeting a lunch is provided.***

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**GUEST SPEAKERS:**

### **CalPERS Senior Representatives**

**Kelly Fox, *Stakeholder Relations*  
and  
David Teykaerts, *Stakeholder Strategy***

CalPERS senior representatives will be coming to the January 28th meeting to provide an update on pension, investment, and health care developments of note for retired members of the System. The presentation will focus on the current state of the economic, political, and investment return environments in which the Fund operates, and will lay out how CalPERS is building a solid foundation for the future. They will also share updates on the make-up of the CalPERS Board and opportunities to engage and be heard by the people making decisions impacting retirement security for California's state, local and school workers. There will be time for Q&A, as well.

#### **About CalPERS**

For more than eight decades, CalPERS has built retirement and health security for state, school, and public agency members who invest their lifework in public service. Our pension fund serves more than 1.9 million members in the CalPERS retirement system and administers benefits for more than 1.5 million members and their families in our health program, making us the largest defined-benefit public pension in the U.S. CalPERS' total fund market value currently stands at approximately \$395 billion. For more information, visit [www.calpers.ca.gov](http://www.calpers.ca.gov).

# Retired Public Employees Association of California Chapter 25



Retired Public Employees  
Association of California  
8380 Blithedale St.  
Long Beach, CA 90808  
Phone: 562-598-8405  
e-mail: rpeachapter25@aol.com

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JANUARY 2020

## Elected Officers

**Jim Spaulding**  
562-598-8405  
President

**Viola Sellers**  
Vice President

**Jan Christiansen**  
Secretary

**Gil Morrissey**  
Treasurer

**Committees**  
**Charles H. Parks**  
Membership

**Val Lerch**  
Legislation

## RETIREE PUBLIC EMPLOYEES ASSOCIATION CHAPTER 25 ♦ GENERAL MEETING ♦ OCTOBER 29, 2019

Chapter 25 President Jim Spaulding called the meeting to order at 10:37 a.m., at the El Dorado Park Senior Center, 2800 Studebaker Road, Long Beach, CA 90808.

The Pledge of Allegiance was led by Chapter President Jim Spaulding.

The Agenda was approved. The Minutes from July 30, 2019 were approved as published on the newsletter. Treasurer Gil Morrissey presented his report.

Our guest speaker was JLCDR John Suckow who is the Incident Management Division Chief at CG Sector Los Angeles – Long Beach. He presented an extremely informative presentation about the Coast Guard operation.

Meeting adjourned at 12:00 noon. Members then enjoyed a free buffet lunch catered by Huff's Restaurant.

Next Meeting: Tuesday, April 28, 2020

Respectfully submitted,

*Jan Christiansen*  
Chapter 25 Secretary

**PLEASE RSVP!** Remember to make and keep reservations for attending Chapter meetings. If you make a reservation to attend the Chapter meeting and find you are unable to attend, please contact Jim Spaulding at (562) 598-8405 or e-mail him at rpeachapter25@aol.com to cancel by Monday before our Tuesday meeting. The Chapter pays for all meals ordered whether it is consumed or not. The small courtesy of canceling your reservation if you are unable to attend is a major saving for the Chapter, since our only source of funding are member dues.

Please complete and mail this form to:

Jim Spaulding  
8380 Blithedale Street  
Long Beach, CA 90808-3301

Phone: (562) 598-8405  
E-Mail: rpeachapter25@aol.com

NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
CITY/STATE/ZIP \_\_\_\_\_  
PHONE \_\_\_\_\_  
E-MAIL \_\_\_\_\_  
Number of people that will be coming with you \_\_\_\_\_



## Our Plan to Protect Our Members' Retirement Security

*By Marcie Frost, CalPERS Chief Executive Officer*

Twenty years ago, CalPERS was 128 percent funded. The strength of the system combined with the strong economy led to changes in retirement benefits and lower contributions for new members and retroactively for existing members.

Then the unexpected happened. The Great Recession hit and global financial markets nearly collapsed. The value of the CalPERS fund fell 24 percent in a single fiscal year, to about \$180 billion. Our funded status—back above 100 percent following the dot.com bust of the early 2000s—dropped to 61 percent. The road to recovery would be long, but necessary to provide members with the retirement security they earned through a career of dedicated public service.

Fast forward to today. We've made strong progress. The fund has nearly \$375 billion in assets and is just over 70 percent funded. Yes, we're on the right track, but we aren't where we want or need to be.

Earlier this month, CalPERS reported fiscal year investment returns of 6.7 percent, just shy of our 7 percent target. It's a signal that the financial world is changing, and we must change with it. What we've done over the last 20 years won't take us where we need to go in the future. New thinking and innovation are in order.

### **CalPERS' Long-Term Plan to Protect Retirement Security**

CalPERS management and our Board of Administration have worked closely to develop a plan to close the gap and improve our funded status. The focus is on sustainable growth, smart decisions, and maintaining the discipline to weather economic forces and global competition. To protect you, our members, employers and taxpayers, we took a hard look at how we do business, making important changes so that we can be even more efficient, effective, and successful.

#### **» Strong Foundational Changes**

We lowered our target rate of return from 7.5 percent to 7 percent, changed our investment mix, and shortened the period in which employers pay

their unfunded liability, enabling them to significantly save in the long term. This has greatly improved our financial position and given us new opportunities that can only be achieved by increasing the money coming into our system.

#### **» Positioning the Portfolio for Growth**

To hit our investment targets, CalPERS must take informed risks and be disciplined in our decision making. Ben Meng, our new chief investment officer, is a globally respected investor, and he's focused on driving the Investment Office to meet and beat our targets. He recognizes the opportunities CalPERS can seize in the private markets and is helping develop new private equity models that will allow us to capitalize when the right opportunities arise. Private equity can meaningfully strengthen the fund. As Ben says of private equity, "We need more of it, and we need more of it now." But we'll be prudent and patient, investing only when the opportunity properly aligns with our interests.

Ben's goals are big. He wants a CalPERS Investment Office that can compete with Wall Street's very best. Some may suggest that, as a public sector organization, this is a difficult task. We believe in CalPERS and know that we have strong competitive advantages that allow us to be among the top investors in the world.

#### **» Efficient and Effective Operations**

To maximize the success of our investments, CalPERS must run the organization in the most cost-efficient manner possible.

Last year, we improved service to our members and employers. This included better and easier-to-use online services for our members, more customer service tools like our open enrollment app, and a new trust fund for our employers to pre-fund future pension costs.

Our leadership team also has been on the road sharing our commitment to our members, employers, and policymakers. We told the CalPERS story across the state, fiercely defending defined benefit plans and highlighting their economic impact on local communities large and

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# Our Plan to Protect Our Members' Retirement Security

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small. At every stop, we restated our opposition to divestment and voiced strong support for engaging with companies to change behavior that can harm their financial bottom line – and ours. To succeed, we need access to all investment opportunities across all asset classes. Divestment shrinks our investment universe and can seriously hinder our progress to hit our investment return targets.

### » A Vote of Confidence

During his tenure, Governor Jerry Brown contributed an additional \$6 billion to the fund. In his first budget as California's chief executive, Governor Gavin Newsom and the Legislature appropriated about \$3 billion more to the system, reflecting their commitment to reducing unfunded liabilities and supporting our efforts moving forward. We appreciate these investments, but we cannot and do not expect it every year. But one thing is clear: The state has done its part, employers have done their part, and members have done theirs.

### Improving the Health of You and Your Family

It's sometimes overlooked that we're the second largest health care purchaser in the nation. With this strength, we're making health care more

affordable. In 2019, we introduced a value-based insurance design for one of our PPO plans that gives members the opportunity to reduce their annual deductible by completing healthy activities, such as getting a flu shot or obtaining a non-smoking certification.

Through education, we worked to curb the use of opioids. Our efforts are working: Between 2017 and 2018 we saw a 15% decrease in opioid use among members and a 32% decrease in dosage.

### The Next Chapter

The benefits of the changes we've made are taking hold, but the next decade is critical. Pension costs are rising, and we must do all we can to control them. We remain laser-focused on our top priorities, and we're building the team to achieve our goals. At the same time, we're working to give the employers that contract with us to administer their pension plans more tools to budget for and address future costs. Benefits are only as secure as our employers' ability to pay them.

Our goals may be ambitious, but our commitment never wavers. We're all partners in this critically important effort to provide the retirement security that public employees have earned.

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## The "California Rule"

The long-awaited State Supreme Court decision that threatened the "California Rule" has been issued and the court has held that the rule is still intact. This rule has been in-place since the 1950's and has always held that pension benefits that exist in the contract between a public employer and CalPERS at the time an employee is hired cannot be altered in such a way that reduces the value of that person's pension at retirement. This court ruling did permit "perks" (special benefits awarded by the state legislature but not "vested rights") or special benefits bestowed by the legislature to be withdrawn by the legislature.

The case before the court was that of "Airtime," a special benefit awarded by the legislature in 2003 to Cal Fire and other safety employees to augment their pension allowance,

was determined by the court to be a perk and thereby not a vested right. This was a benefit that the employee had funded on his/her own and not an employer funded benefit, but the court still found this to be a perk that could be lawfully terminated in the 2012 pension reform act.

Fortunately, the California Rule was left intact by this decision which means that contracted benefits between CalPERS and public employers that exist when a person is hired must be maintained and, if altered, the value of the altered benefit must be of equal value in the replacement benefit. The 2012 pension reform act (PEPRA) reduced benefits for new hires on or after 1/1/2013 but did not alter contracted benefits for existing employees (referred to as "classic employees").

## **“California Rule” – Second Chance for Major Ruling on Pension Cuts**

*By Ed Mendel*

A case that could result in the state Supreme Court reviewing the California Rule, which has overturned several voter-approved public pension cuts, is fully briefed and ready to be scheduled for oral arguments.

As record-high pension costs take a growing bite out of government budgets, causing tax hikes and cuts in staff and services for some, reformers say an escape route is needed to avoid going over the financial cliff.

Public employee unions and others say the government is obligated to keep its promises, relied on for financial stability and security by many, and can manage the pension problem without major change.

Now the Supreme Court faces conflicting appeals court rulings, arising from former Gov. Brown's pension reform, and has a second chance to clarify how pensions can be cut or even lay out a new path.

Last March, while upholding Brown's ban on the employee purchase of service credit to boost pensions, the Supreme Court avoided a review of the California Rule by finding that buying “air time” (no work is done) was not a vested right protected by contract law.

“For that reason, we have no occasion in this decision to address, let alone to alter, the continued application of the California Rule,” the Supreme Court ruling said, apparently responding to the state and others who urged a review of the rule.

The Supreme Court now moves on to two appeals court rulings that have very different views of how pensions may be cut, both issued in union challenges to a part of the Brown reform that curbs boosting county pensions by “spiking” final pay with a wide range of add-ons.

The high court made the appellate ruling in a consolidation of Alameda, Contra Costa and Merced County cases the lead, and it's ready for oral arguments. The “Alameda” ruling stays close to conventional readings of the California Rule.

Pension cuts are allowed, without an offsetting comparable new benefit, if there is “compelling evidence establishing that the required changes ‘bear a material relation to the theory...of a pension system,’ and its successful operation.”

The appeals court sent the cases back to the trial courts to determine the threat to the county systems from the spiked pension payments. But moving the issue back to the superior courts was put on hold after both sides asked for a review.

A ruling in a Marin County case by a different three-justice appeals court panel, put on hold by the Supreme Court pending a ruling in the Alameda case, overturns the California Rule by finding employees only have a vested right to a “reasonable” pension.

The Marin ruling begins with a look at soaring pension debt after the financial crisis in 2008-09 and an influential Little Hoover Commission report in 2011 that urges cuts in pensions current workers earn in the future, while protecting amounts already earned.

“The Legislature may, prior to the employee's retirement, alter the formula, thereby reducing the anticipated pension,” said the Marin ruling. “So long as the Legislature's modifications do not deprive the employee of a ‘reasonable’ pension, there is no constitutional violation.”

Whether the Supreme Court would include the Marin ruling in its Alameda case decision, or consider it in a separate hearing later, is not clear. The Marin ruling was issued in August 2016 and the Alameda ruling in January 2018.

Some think the Supreme Court may have put the Marin case on hold because the county pension system made a “general demurrer”, while the Alameda ruling was based on a trial court hearing with a long evidence record.

The California Rule is a series of state court rulings believed to mean the pension offered at hire becomes a vested right, protected by contract law, that can only be cut if offset by a new benefit of comparable value.

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## **“California Rule” – Second Chance for Major Ruling on Pension Cuts**

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A comparable new benefit erases cost savings. So most pension cuts are limited to new hires who haven't worked long enough to earn vested rights, usually five years. New hires often are decades from retirement, delaying significant savings if their pensions are cut.

The main parts of Brown's reform, notably lower pension formulas, were limited to new hires. But some county provisions were applied to employees hired before the reform took effect on January 1, 2013. They have vested rights, and the lawsuits were filed on their behalf.

Avoiding a violation of the California Rule is not just a useful bogeyman to provide a rationale for a moderate pension cut. In at least three instances in the last decade, the courts have cited the California Rule while overturning pension cuts approved by voters.

Superior courts cited the California Rule when overturning a limit on contributions to CalPERS approved by Pacific Grove voters in 2010, then again when tossing a requirement that workers pay more for pensions or earn a smaller pension approved in 2012 in San Jose.

Neither of the measures were appealed. After San Francisco voters approved an end to supplemental pension payments in 2011, a change backed by all 11 supervisors and labor and business groups, the measure was approved by a superior court, then overturned on appeal.

“This diminution in the supplemental COLA cannot be sustained as reasonable because no comparable advantage was offered to pensioners or employees in return,” said the unanimous ruling by an appeals court panel in 2015.

The state Supreme Court declined to hear an appeal of the San Francisco case. But the high court door seemed to open for appeals involving the California Rule after the Marin ruling in 2016, followed by a similar appeals court ruling in the air time case later that year.

A ruling by yet another appeals court panel

referred to the Marin ruling several times while upholding Brown's ban on employee purchases of up to five years of additional service credit, challenged by the state firefighters union.

“The law is quite clear that they are entitled only to a ‘reasonable’ pension, not one providing fixed or definite benefits immune from modification or elimination by the governing body,” said the appeals court ruling in the air time case.

Among signs the Supreme Court may be doing some reading for an in-depth review of the California Rule, which is based on a key ruling in 1955, was a brief reference in the court's air time ruling to an academic paper cited by pension reformers.

A study of the California Rule by legal scholar Amy Monahan argued imposing the highly restrictive rule, without finding clear evidence of legislative intent to create a contract, broke with legal tradition and infringed on legislative power.

“California courts have held that even though the state can terminate a worker, lower her salary, or reduce her other benefits, the state cannot decrease the worker's rate of pension accrual as long as she is employed,” said Monahan of the University of Minnesota Law School.

The California Rule got its name in part because it has not been widely adopted elsewhere. Monahan's study said that “of the twelve states to adopt the rule, three have since modified it.”

If the Supreme Court loosens the California Rule, pension cuts may not quickly follow. In bankruptcy, Stockton and San Bernardino chose not to try to cut their biggest debt by far, saying pensions are needed to be competitive in the job market, particularly for police.

To cut pensions, cities and other local governments in CalPERS might need legislation to change state law. The giant fund, whose top priority under a labor-backed initiative approved by voters in 1992 is protecting pensions not taxpayers, could be a formidable opponent.



### Charles H. Parks

Charles is a product of humble beginnings in Austin, Texas where he graduated from L.C. Anderson High School. Parks was a member of the L.C. Anderson Concert/Marching Band. He played the Baratone horn in the first seat position. The band won state championships two of the three years of Parks' high school career.

Charles H. Parks is a retired police officer of the Long Beach Police Department. He started his police career as a "rookie cop" in the Long Beach Police Academy and rose to the rank of Police Commander before retiring. During that time he developed numerous programs, the most notable of which included the 54/40 program (a 9 hour workday), and "Officer Wax Works," a manikin dressed in a police uniform and placed in a police car parked at strategic locations to slow down speeders. This program was featured on the David Horowitz television show and was viewed throughout the 60 commercial zones within the United States and worldwide with United States Military Bases throughout the world. Parks also developed a program that placed wrecked vehicles around the city during holidays as an attempt to highlight the results of drunk driving.

Subsequent to retiring Parks was appointed to a first term of five years to the Long Beach Water Commission by Mayor Ernie Kell, and to a second term of five years by Mayor Beverly O'Neil. He served as President, Vice-President and Secretary of that Commission. Parks was selected to serve on the 2004-2005 Los Angeles County Civil Grand Jury. He was appointed Foreman of that Grand Jury by the Honorable David Wesley, Supervising Superior Court Judge. That Grand Jury completed its business on time,

under budget and ended its service with the same 23 persons it started off with. After the grand jury experience, Parks was appointed to the Los Angeles County Commission on Economy and Efficiency by the Los Angeles County Board of Supervisors. During this period of service, Parks developed an award winning program that focused on having retired police officers to serve in a Police Officer Reserve Corp. to be available for back-up staff service during times of unusual occurrences. Current and past activities in civic and volunteer organizations, include the Long Beach Memorial Hospital, St. Mary Hospital of Long Beach, the Exchange Club of Long Beach, Long Beach Police Command Officers Assn., International Police Management Assn., International Footprint Assn., Seniors' University at California State University Long Beach, Food Finders of Long Beach, and Board of Directors of the Rancho Los Cerritos Foundation, and the Cambodia Town Advisory Committee, Southern California Tuna Club.

Parks is a graduate of Long Beach City College (with an AA Degree); California State University, Long Beach (with a BS Degree); Outstanding alumnus of CSULB; and high school Hall of Fame; Graduate of Yale University/Occidental College (with a MA Degree). Graduate: National Urban Fellow, POST Command College, and Leadership Long Beach. He received numerous awards of recognition including Father of the Year, Employee of the Year, Exchange Club Citizen of the Year, Mayor's Proclamation for outstanding service, and City Manager's Incentive and Outstanding Achievement Awards. His hobbies include home remodeling, gardening, domestic and international travel with his wife, May Lane (Jong) Parks. They reside in Long Beach, California.

**RPEA, Chapter 25  
8380 Blithedale St.  
Long Beach, CA 90808**

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## **The California Rule**

The California Rule got its name in part because it has not been widely adopted elsewhere. The ruling, a research paper by Amy Monahan notes, that “of the twelve states to adopt the rule, three have since modified it.”