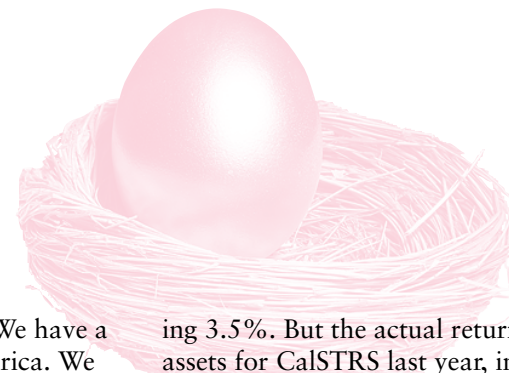


Retirement security for ALL



Myths and pension data: Points to raise

1 Even if actual data is used, we must be aware of how the analysis is done. The Little Hoover Commission study submitted to Governor Brown claims that, on average, public sector workers are paid more than private sector workers. But simple averages often hide more than they reveal. In the private sector, 34 percent of workers have a high school degree or less and only 35 percent have a BA or more. In the public sector, only 16 percent have a high school degree or less and fully 55 percent have a BA or better.

2 Even conservative economists agree that someone with more education should be paid more. Unfortunately for public sector employees this is not true. In California, public sector workers with a BA are paid 14 percent less than equivalent private sector employees. Including benefits narrows the gap, but does not eliminate it. Total compensation for public sector workers with a BA is still 5 percent less than in the private sector. For those with an MA it is even worse. Public sector pay is 33 percent below the private sector and total compensation is 28 percent less (Allegretto and Keefe 2010). Other studies have shown similar disparities in every other state in the US (Keefe, 2010; Schmitt, 2010)

Save the date! August 15, 2011 Retirement and Financial Planning Day

On Monday, August 15, 2011, Independent Flex Day, AFT 2121 will host for all faculty its third "Retirement and Financial Planning Day" on the Ocean Campus. This event has been very popular with faculty. Workshop topics will tentatively include the following:

CalSTRS Information

Social Security and Medicare 403(b), 457, and 529 payroll deduction plans at CCSF

Financial planning for educators

Wills and living trusts

Long term care insurance

HSS Retiree health benefits

Workshops will be presented in the morning and afternoon. Schedule and registration information will be provided later. In the meantime, mark your calendar!

By Doug Orr,
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Attacks on workers

I recently attended a conference in Los Angeles that brought together trustees of the two state's largest pensions plans, the Public Employees Retirement System (CalPERS) and the State Teachers Retirement System (CalSTRS), as well as administrative staff for these plans, financial sector analysts, private consultants, union leaders and union activists. Every side of the retirement issue was represented and a fully informed discussion of pension issues resulted. AFT 2121 sent me because I have been doing research on pensions for more than 20 years.

Since the 1980s, there has been a concerted attack on the wages and benefits of all workers. The average inflation-adjusted wage of non-supervisory workers in the private sector is 7% lower today that it was in 1979, while their productivity is almost 50% higher. In 1980, 84% of private sector employees in large firms had defined benefit pensions, and now it is less than 30 percent. The majority of these workers have had their defined benefit pension coverage replaced by 401k plans. *These plans are nothing more than uninsured savings accounts that will provide retirement security for only the wealthiest 10 percent of workers.*

In 1950, corporate taxes provided almost 30 percent of government revenue. Today it is less than 10 percent.

The assault on Wisconsin public employees' collective bargaining rights has clarified some things. When the Republicans separated the bargaining issue from the budget bill, it showed the real issue was not money but busting the unions. It also emphasized the need for all of organized labor to stand together. The Republicans excluded police and firefighters from the bill because they were deemed "essential personnel." By implication, teachers, registered nurses, and street maintenance workers are "non-essential luxuries." Police knew they would be next on the chopping block, so they sided with the protestors.

Conservatives justify these attacks by claiming public sector workers are the new "labor elite" as illustrated in this quote from Governor

Mitch Daniel of Indiana: "We have a new privileged class in America. We used to think of government workers as underpaid public servants. Now they are better paid than the people who pay their salaries."

These claims are not supported by real data. Instead, to make their case, conservatives rely on anecdotes, which can hide the truth. And finding a second anecdote is no better. As a colleague of mine likes to point out, the plural of anecdote is not data!

Pensions aren't the cause of budget problems

Excessive benefits are not a factor in the state's budget problem. One anecdote conservatives use is the very high pensions paid to a handful of University of California administrators, which gives the impression of overly generous public sector pensions, but the data show over half of CalPERS retirees receive annual benefits of less than \$18,000, and 78 percent receive less than \$36,000.

Some on the right claim state pension plans are underfunded and will bankrupt the state without drastic measures. Funding holidays, when the state contributed no money, created most of this funding shortfall. Every existing pension plan in the public and private sectors took funding holidays during the 1990s because private sector financial analysts predicted that the stock

market would continue to go up by 20 percent a year forever. The stock market collapses of 2001 and 2007 disproved this idea.

The shortfall reported by conservatives does seem imposing. Over the next 75 years, the shortfall for CalPERS is \$35 billion and for CalSTRS is \$40.5 billion. But these combined shortfalls represent only 0.13 percent of total state income, and a state-wide tax increase by this tiny amount would eliminate the shortfall.

However, that will not be necessary. These estimates are based on assumptions as unrealistic as those used to justify the contribution holidays. Financial analysts now assume that all of assets of these plans will be put into "risk free" government bonds, which are currently pay-

Responses

We have at least three essential responses. *First, every other industrialized country provides retirement security for everyone*, and it's essential to point out that retirement security should be for ALL, not just the rich. Second, we need to remind people that 401k plans are not pensions, and no one should call them that. They are uninsured private savings plans that don't provide retirement security. The third important point to stress is that funding public sector pensions would be easy if large corporations paid their share in taxes. In 1950, corporate taxes provided almost 30 percent of government revenue. Today it is less than 10 percent. California is the only oil producing state that does not have an oil severance tax. Even the conservative states of Texas and Alaska have this tax, and in Alaska it pays for almost all government services.

We need to take away those conservatives' anecdotes so they have no argument. We can do that by supporting eliminating pension abuses that do occur, such as pension "spiking," resulting from basing the pension on an artificially inflated final one-year salary based on excessive amounts of overtime or special bonuses. Basing the pension on only regular hours and/or an average of the last three years of employment would help solve this problem, and this is part of Governor Brown's recently released proposal.

Another part of Brown's proposal involves eliminating funding holidays. Apparently everyone except financial analysts knows that the economy goes through booms and busts. Contributing to the pension fund during good times is essential.

Finally, we need to fight efforts to pit public sector workers against private sector workers. Retirement security for ALL means strengthening Social Security and bringing back retirement income security for millions of private sector workers, as well as for those in the public sector. (dorr@ccsf.edu)