

Attacks on California Public Pensions: Implications for Educators



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AFT 2121 Retirement Day 2011

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- a message for teachers

The Issues Facing Us



- Financial: Wall Street meltdown of 2008 - Recession
- Political: The 2012 Presidential Election, the Tea Party and GOP sweep of Nov. 2010
- Cultural: Americans not saving for retirement

Financial meltdown

- Market downturns of 2000 & 2008 had significant impact on retirement savings (401Ks), unemployment and home equity
- Most public pension systems lost 25% of their value

Political Influences

- Significant wins for GOP Governorships
- Attack on collective bargaining/public sector workers
- Unions seen as significant fundraisers for state and national campaigns
- No wall street repercussions - public sector is seen as culprit

Americans not saving for retirement

- Median Household headed by person aged 60-62 with 401K has less than 25% of what's needed to maintain standard of living
- Assumption is people need 80% of working income after they retire
- Borrowed against 401K
- Increased credit card debt
- 39% of Americans foreclosed upon, unemployed, underwater on mortgage or behind payment

Facts about public pensions

- Pension contributions from state & local employers aren't blowing up budgets - avg. is 3% of state spending
- State/local public pensions systems are not broke - they're underfunded
- State/local workers contribute to pension funds

What makes CalSTRS unique?

- State is sponsor of plan, not employers
- Our benefits are not negotiated but are set by the legislature
- CalSTRS members don't pay into Social Security

Community College faculty in CalSTRS

- CalSTRS members consist of approximately 93% K-12 teachers and 7% Community College Faculty
- Most Full-Time CC Faculty are in CalSTRS Defined Benefit (DB)
- Part-Time CC Faculty are in CalSTRS DB/Cash Balance (CB) and others such as PARS, etc.
- More than half of the Community College faculty DB members are part-time faculty
- Average annual pension for 2010 retirees (K-14): \$52,700/yr.
- Average percentage of salary replaced by pension: 60%

Is our CalSTRS pension safe?

- In California, there are strong contract protections in our state constitution that protect the promise of current employees' benefits.
- CalSTRS has an unfunded liability of approximately \$56 billion.
- The STRS board is moving toward a solution to this problem. They are not seeking immediate contribution increases but a starting point for future predictable, gradual increases.
- Contributions will need to be raised in order to continue to fund our system at appropriate levels. Currently, faculty contribute 8%, districts contribute 8.25% and the state currently contributes 2.017%.
- Any contribution increase for the CalSTRS system requires state legislation. If contributions are not raised, conservative estimates are that CalSTRS will continue to be underfunded and will be depleted by 2045.

Hot topics in CA politics - pensions

- **Final Compensation (Spiking)**– eliminate current 1 yr. final comp formula for teachers with 25 yrs. Change to final 3 years
- **Limiting Post-Retirement Earnings (Double Dipping)** – 180 day waiting period
- **Optional hybrid plan** – reduced formula for DB + DC plan
- **Board Governance** – add 2 gov. appointees to board. (Gov. currently appoints half of board)
- Pension changes affecting current members

Advocacy:

What can we do?

- Educate yourself & talk to your local legislators re: facts about CalSTRS
- Participate (and encourage other faculty to participate) in supplemental retirement programs (403b/457, Roth IRA)
- Build coalitions with other union activists in your area (i.e. LA Trustee Network) and advocate for secure retirement for all workers
- CalSTRS Board Election

Helpful links

- calstrsbenefits.us
- letstalkpensions.com
- dontscapegoatus.com
- yourplan.calstrs.com
- calpensions.com
- fixpensionsfirst.com

