



League of California Cities Recommendations on Retirement

SEIU California Brief Analysis

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Every retirement investment tool that Americans rely on has taken a hit in this recession, and pensions are no exception. No one is more concerned about the health and sustainability of our public retirement security plans than the social workers, emergency response staff, public health workers, and school employees who rely on them for a secure and stable future.

On April 9, the League of California Cities' Employee Relations Committee, which represents the management perspective on city employment-related issues, released its recommendations about pensions.

The League's recommendations contradict its principles and will undermine workers' retirement security.

Here are some examples of what the League proposes:

- **Cut benefits to poverty levels.** We agree with the League that the goal of retirement security should be to help maintain future retirees' standard of living, but the League recommends cutting benefits by 20%, which would significantly reduce the standard of living for the average retiree, who receives just \$25,000 a year. A recent report by the California Budget Project showed that the average person needs \$28,000 just to cover basic expenses in California.
- **Make employees share risks but reserve payoff for employers.** Likewise, we agree that employees and employers should share the burden of investing in the system, but the League proposes to increase employees' contributions in difficult times, while retaining employers' reduced or suspended contributions in good times. This is a "heads I win, tails you lose" proposal that ignores the fundamental fact that employers are paying less as a percentage of payroll than they were 30 years ago in 1980.
- **Encourage pension rollback for new employees that wouldn't help local budgets.** We wholeheartedly support the League's advice that agencies should strive to avoid multi-tiered systems that demoralize staff and provide unequal compensation for equal work; we object to the League's recommendation to do exactly that by setting up a second, lower pension tier for future retirees. In fact, the League's own actuarial consultant, John Bartel, has repeatedly noted that setting up a second tier "is not going to save money."¹
- **Disregard history of bargaining of trade-offs.** The League recommends elimination of the practice of employers picking up the employee contribution, but states in a subsequent principle that pension benefits should be viewed in the context of an overall compensation structure. Have they forgotten that this option was bargained in the context of overall compensation and usually in lieu of a pay increase?

Retirement security is a fundamental building block of an economy built on broad, shared prosperity. Our goal should be to strengthen and extend such security, not unravel it.

¹ Capitol Weekly, 08/12/09, <http://www.capitolweekly.net/article.php?xid=y6xkevj1jbdeww>