How did we get here and where do we go next?

Judy Lin
Economy Reporter
The pension gap
SB 400: The deal that wasn’t supposed to cost taxpayers a dime
The average California Highway Patrol salary was $111,732 in 2015.

The average California Highway Patrol retired with $95,282 in 2015.

Employees chip in 11.5% of their salary. The state chips in 55%.
“If I was in the private sector just struggling to get by, had no dream of retiring, would I be upset?” Hamm said. “Yeah. And we have to understand that’s a reality.”
Didn’t Jerry Brown fix this?

**Passed**

- Higher retirement age for new employees
- Pensions based on highest three years, not one
- Calculates benefit based on normal pay, not inflated by unused vacation time, bonuses and overtime

**Failed**

- A hybrid retirement system combining smaller pensions with 401(k)-style plans
- Instead, Democratic lawmakers proposed a cap on the salary used to calculate an employee’s pension.
- Increase CalPERS board independence
Nearly 40 percent of the increase in school budgets will be absorbed by higher pension costs.
Retirement debt of all public workers in California tops $400 billion
Taxpayers now paying $25 billion annually for pensions

Source: State Controller's Office
What’s next?
How much flexibility do state and local governments have to cut benefits of current workers?

A group of Marin County employees had argued that Brown’s 2012 pension changes infringed on their employer’s contractual obligation to provide retirement benefits at the level that was promised on their first day of work. That premise, known as the “California rule,” has left state and local governments with little room to modify retirement benefits except for new hires.

Public employees in Alameda, Contra Costa and Merced counties won when an appeals court said benefit adjustments require “compelling evidence” showing that the changes are necessary to the success of the pension system.
The state Supreme Court has agreed to take up the issue of the “California rule,” which could have huge financial implications for cities, counties, school districts and the state.
“That fight is underway, and there's not much that the next governor can do...even with the California rule, we have the tools through collective bargaining to negotiate reforms and commensurate offsets.”

Gavin Newsom