California board votes to increase pension contributions as benefits face attack

Kevin Martinez
26 February 2014

The California Public Employee's Retirement System (CalPERS) board voted last week to increase state, city and local government agency contributions to the pension system beginning in the summer. The move will translate into increased payments from workers, with some employees faced with an immediate rise equivalent to 0.75 percent of their salaries.

The move is part of an attack, supported by both Democrats and Republicans, on the pension system in the most populous US state. State and local governments throughout the country are seeking ways to enforce cuts in benefits and increase worker contributions.

The move by CalPERS was supported by California's Democratic Party governor, Jerry Brown. Brown hailed the move as an "important and responsible action." He had previously criticized CalPERS for not moving fast enough to increase required contributions from government agencies.

A broader, multi-faceted attack is afoot against CalPERS, California State Teachers' Retirement System (CalSTRS) and other pension programs. Several cities in California have declared bankruptcy, hoping to follow Detroit in using the court system to facilitate cuts. The state's unions, close allies of Governor Brown, have collaborated in the process.

In an attempt to victimize pensioners, a think-tank called the California Public Policy Center (CPPC) unveiled a searchable database with more than 3.3 million salary and pension records. The database includes every government worker, teacher, and state employee in California, drawing on CalPERS and CalSTRS data.

In a statement, the group said the database "will anger California taxpayers and increase calls for pension reform in California."

The organization is seeking to paint California workers as overpaid. In fact, the vast majority of pensioners have to scrape by on a meager stipend. The advocates of pension "reform" (along with the entire political establishment) never suggest taxing the multi-millionaires and the 88 billionaires who live in the state.

CalPERS had a similar proposal last year to introduce an online database of its current pensioners but abandoned the project last month after public outcry over the implications for privacy.

One need only look at those involved behind the database to see where their class interests lie. The board of directors includes various corporate lawyers affiliated to education privatization schemes. One of the affiliated websites, unionwatch.org, attacks trade unions from the right—utilizing the treachery of the SEIU and various unions to attack any right to collective bargaining.

A frequent contributor to unionwatch.org is David Bego, president and CEO of EMS, an environmental workplace maintenance company, and the author of *The Devil at My Doorstep*. The book chronicles the author's efforts to stop unionization efforts by SEIU through the Employees Free Choice Act, which he believes "is a direct threat to entrepreneurship, free enterprise, and capitalism."

Both Democrats and Republicans are included. One notable contributor is Gloria Romero, who until 2010 was a California State senator but is now the state director for Democrats for Education Reform. The group is funded by Wall Street hedge fund managers and is dedicated to the expansion of charter schools, the imposition of merit pay and other right-wing attacks on public education.

According to sourcewatch.org, the board of

Democrats for Education Reform includes, among others: Anthony Davis, formerly of Anchorage Advisors and Goldman Sachs hedge funds; Charles Ledley of Highfields Capital Management and Leadership Village Academy Charter Schools; John Petry of Gotham Capital; and Boykin Curry of Eagle Capital.

A central theme of those advocating pension "reform" is that workers are simply living too long. Brown, in his remarks criticizing CalPERS for acting too slowly, complained that, "by 2028, men retiring at age 55 are projected to live an average of 2.1 years longer and women 1.6 years longer. For the state, these changes mean that pension costs will be much greater than previously thought and state costs will increase $1.2 billion annually—about 32 percent greater than today."

The government's solution to this "problem" is to make workers contribute even more to their ever-shrinking pensions, shorten life expectancy, or both.

The aim is to make workers pay for the crisis of the capitalist system and the ongoing transfer of wealth into the pockets of the corporate and financial elite. CalPERS's investments in the stock market were greatly affected by the 2008 Wall Street crash, resulting in a long-term deficit of $100 billion. These losses were then seized upon by the political establishment as an opportunity to attack pensions and the living standards of workers.

However, the announcement last month of CalPERS's record investment returns in 2013 of 16.2 percent, only topped by CalSTRS's returns of 19.08 percent, did not result in any reversal of the attacks. On the contrary, both funds have warned about the necessity to adopt a parsimonious policy.

In San Jose, meanwhile, Mayor Chuck Reed is exploiting the city's bankruptcy to tear apart pensions. He is currently the author of a proposed ballot initiative called "the Pension Reform Act of 2014." The proposal calls for amending "the Constitution of the State of California to enable the people of California to take those actions necessary to attain fiscal sustainability and provide fiscally responsible and adequately funded pension and retiree healthcare benefits for all government employees and retirees."

In actuality, Reed wants to be able to give workers less of their own money, retroactively, and give new workers even less. The League of California Cities, an advocacy and education group, sent a letter to CalPERS stating that the increased contribution rates would negatively impact cities that cannot afford it, saying the short-term pension increases "would likely cause drastic service reductions in some cities and even more dire consequences in others."

CalSTRS, the teachers' retirement fund, is also within Brown's sights; however, he will need the state legislature's permission to increase its rates. CalSTRS is currently underfunded by $70 billion.