California governor Jerry Brown calls for raising teachers' pension contributions

Kevin Martinez
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As part of his May budget revision, Jerry Brown, California's Democratic Governor, called for raising teachers' contributions into the California State Teachers' Retirement System (CalSTRS) from 8 percent to 10.25 percent of their pay over three years. This translates into an increase of about $1,500 to $2,500 per year, based on current teachers' salaries.

In addition to increased contributions from teachers, the proposals would raise the pension contributions of local school districts without providing additional funding, which officials said would force them to make cuts elsewhere. Under the plan, pension contributions from local school districts would increase from the current 8.25 percent to 9.5 percent next year, and eventually to 19.1 percent after 7 years. For a teacher earning $50,000 per year, the district would have to pay an additional $9,550 per year by 2021.

This so-called "bailout," as it is cynically called in the media, would in fact force schools to slash staff and teachers in order to make payments toward the state fund. Moreover, the increases in teacher contributions are based on optimistic investment returns, and market gyrations could lead to further pension contribution increases.

School districts are already making plans to cut back on staff and services if the contribution increases are passed. The Los Angeles Unified School District (LAUSD), the nation's second-largest school district, would lose $35 million in the first year, totaling over $300 million after the seven-year phase in period.

In addition, the final increase in the contribution rate will take effect after the expiration of a temporary tax increase that raises school funding. Teachers have already suffered years of cutbacks and layoffs in the aftermath of the 2008 economic recession, with hundreds of thousands of teaching jobs lost since then.

CalSTRS's unfunded liabilities are worth $74 billion and Brown claims that the fund will run out of funds in the next few decades.

Currently, the state, school districts, and teachers all pay into the fund, with the state paying 3 percent, teachers paying 8 percent and districts paying 8.25 percent. Governor Brown's proposals would mean districts would shoulder 70 percent of additional costs to cover the debt, the state would pay 20 percent, and teachers would pay 10 percent of the increase.

It should also be noted that, although the state and school districts are set to "pay" for a large portion of the increase, state workers can expect that new policies will be implemented to shift the additional burden onto them. California's Proposition 30 was one such policy, as it taxed workers through the use of regressive taxation while being falsely sold as a "fix" for public education.

Employee pensions are under similar attack throughout the United States. In New Jersey, Republican Governor Chris Christie plans to close his state's budget deficit by cutting $2.5 billion in pension payments this year and next.

In 2010, Christie signed a law that required New Jersey to pay higher pension payments each year through fiscal 2018 to offset a decade of skipped contributions. Christie said this month that the extra pension payments will not happen this year or the next after the state missed its revenue target by $2.75 billion. The public employee pension system in New Jersey is underfunded by $52 billion.

That same year Christie won support from state Democrats in 2010 to raise the minimum retirement age, stop cost-of-living adjustments, and force workers to pay a larger portion of their healthcare benefits.

In Detroit, Emergency Manager Kevyn Orr is seeking to use the city's bankruptcy to slash the benefits of city retirees, threatening to slash their pensions by up to sixty percent.