

Fighting Back In an Economic Downturn

June 5, 2010



Realities & Myths about Public Employees and Our Benefits

What's True?

What's Not?

Myth

Public Employees are Overpaid

The Reality

- Public Employees are **twice as likely** as their private sector counterparts **to have a college or advanced degree.**
- Local government employees **earn 12% less** than comparable private sector workers.
- Over the last 20 years, the **earnings for public employees have generally declined** relative to comparable private sector employees.

The Reality

- Benefits comprise a greater share of compensation in the public sector.
- Even after accounting for benefits, state and local employees have **lower total compensation** than their private sector counterparts.
- **Compensation is 7.4% lower** for local workers, compared with comparable private sector employees.

Myth

Public Employees & their benefits
are the reason we're in this
Economic Crisis

The Reality

- Our cities, counties, and districts are experiencing severe budget shortfalls because of the **stock market crash** – not the cost of employee pensions and benefits.
- **Banks, Wall Street &** speculative investments with no safeguards or controls are what got us in this mess.

The Reality

- Our Pension systems have been around for many years, **survived many recessions**, and were doing fine before the crash.
- Who has the most to gain from our pensions being 2-tiered into 401k's? **The same Banks that caused our economy to crash!**

Myth

Public Employee Pensions are
Unsustainable

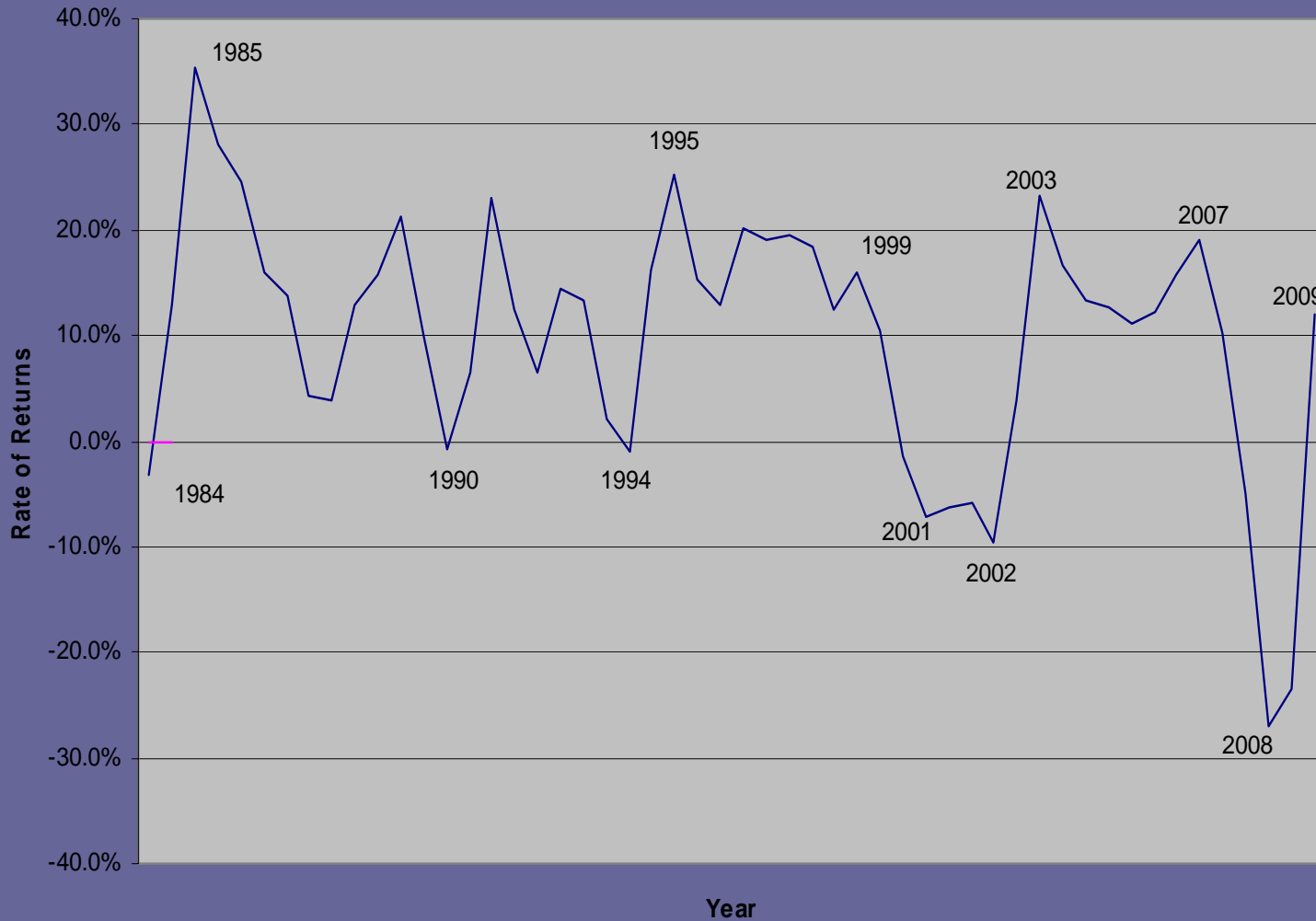
Stanford Study Concludes State Pensions Massively Under Funded

- Stanford's Institute for Economic Policy Research released a policy brief: "Going For Broke: Reforming California's Public Employee Pension Systems"
- Study found that CalPERS' unfunded liability is **8x greater than CalPERS reports.**

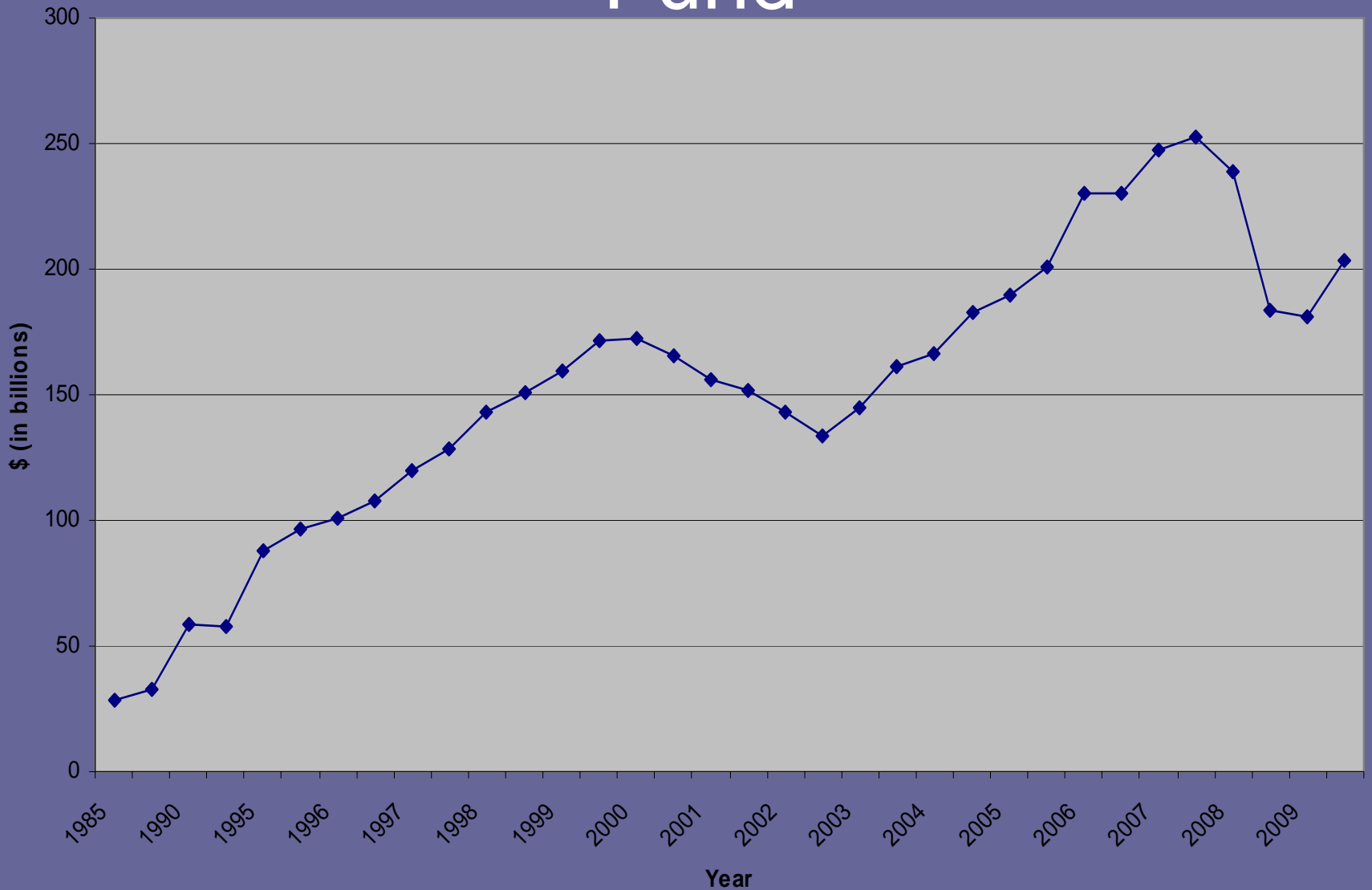
The Reality

- Requested by Schwarzenegger to support his call for cuts in retirement benefits
- Does not take into account the market recovery over the last 6 months
- Calls for a 401(k)-style retirement system for all public employees
- Recommends a no-risk investment approach that would undermine earnings
- CalPERS: Stanford study is flawed and “relies on outdated data and methodologies out of sync with governmental accounting rules and actuarial standards of practice.” The study used data from when CalPERS’ assets were down \$45 billion, and *current* interest rates in its calculations, which are at historical lows to “make liabilities appear to be much higher... That method is inconsistent with the Governmental Accounting Standards Board and current actuarial standards.”

The Reality: CalPERS Historical Rate of Return



The Reality: CalPERS Growth of Fund

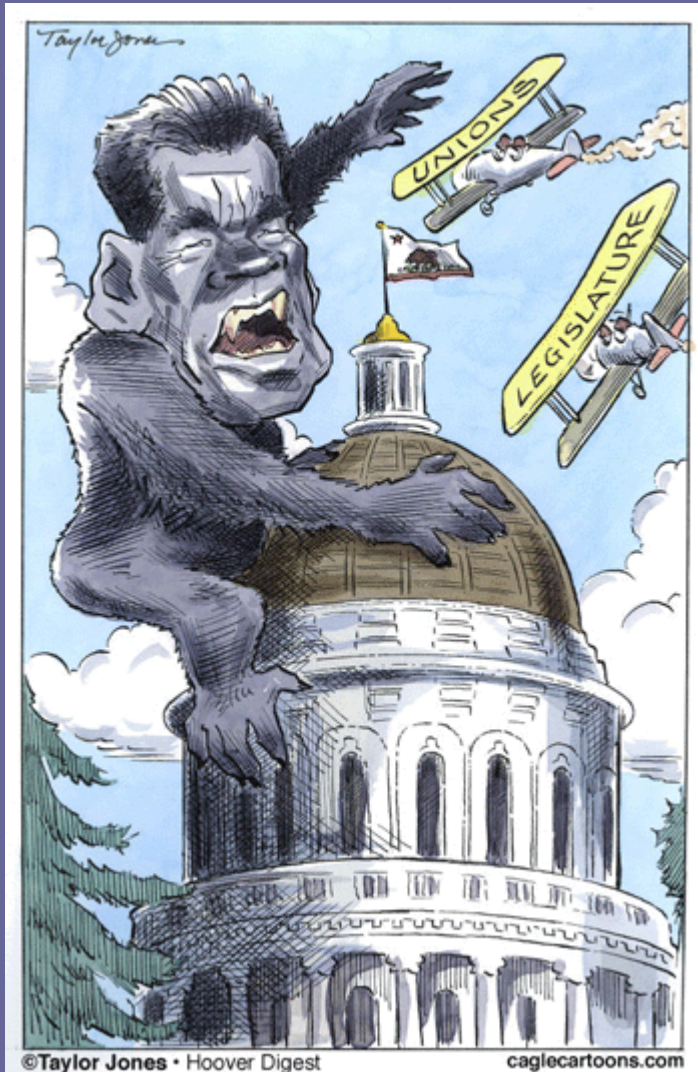


Fallout: Trends in Attacks to Public Employee Benefits

What Messages Are We Hearing?

What Are We Seeing?

California



- Governor proposed increasing the age for non-safety government workers to be eligible for benefits from 55 to 65
- Pushing also for retirement benefits based on average of last 3 years of service

SPUR's Plan for "Good Government"

- Allow more flexible contracting [out] authority for City departments
- Reduce employee benefits costs
 - Revisit long-term viability of sustaining current level of pension guarantees for future employees
 - Consider increasing employee contributions to their own pensions
 - Discontinue automatic increases to health benefit contributions for active employees

City (of Redding) cuts \$2.3M after Unions Decline Pension Concessions

- Problem: Redding has a General Fund deficit & recently cut \$2.3 million from its budget
- Action: On top of concessions from misc. and safety employees, the City Council approved 2 Nov. ballot measures addressing pension costs:
 1. Requiring new hires to pay entire retiree medical costs
 2. Requiring all employees, including Safety, to pay a portion of PERS contributions
- Message: City employees' retirement benefits are the reason Redding must cut public services

San Diego Sues to Force Employees to Pay Up for Pensions

- Problem: \$2 billion in long term pension obligations
- Action: City of San Diego is suing San Diego City ERS to force employees to increase worker contributions
- 9,000 workers could pay up to an extra \$4k/yr
- Message: “If successful, the lawsuit could lead to city workers helping pay for the pension fund’s investment losses rather than the current practice of having taxpayers make up for any deficiencies.”

What Anti-Worker Messages Are We Hearing?

- Public Employees Caused the Financial Crisis
- We Need to Make Long-Term Cuts to Solve a Short-Term Problem
- Public Employees are the Reason Public Services are Facing Cuts
- The Public Shouldn't Have to Pay for Our Generous Health & Retirement Benefits

Fighting Back

Strategies to Turn It Around

Fightback

Political Action & Bargaining

- **Challenge:** Budget deficit, looming layoffs, hostile new governor in **N.J.**
- **Fightback – IFPTE Local 195:**
 - Intensive lobbying about value of services provided by public employees
 - Members act to protect bargaining rights
 - Bargained 1-year agreement:
 - Delayed wage increase, 10 furlough days
 - Freeze on layoffs until 2011
 - Restrictions on contracting-out

Fightback – Political Action



Local 195, IFPTE
E-News

STOP CONTRACT IMPOSITIONS

HELP STOP THE ATTACK ON PUBLIC EMPLOYEES
BARGAINING RIGHTS

Talking Points

Take a stand against the legislators taking away State Worker's collective bargaining rights! State Workers did not abuse the system nor did they cause the New Jersey's Fiscal Crisis.

**Take
Action!**

Subject:

Stop Attacking Public Employees

Dear [Decision Maker],
(Edit Letter Below)

For years our pension has been manipulated and raided in an irresponsible manner by policy makers. It started with the Whitman Administration and has not stopped. In 1997, there was a large liability that led to the taking of the 2.8 billion from the pension. The pattern of not paying into the pension system to plug the large deficits continues daily.

In 2009/2010 Local 195 union members ratified to a reopener of our contract and agreed to a Memorandum Of Agreement to accept in a form of a salary freeze a deferred 3.5% wage increase for 18 months and 10 unpaid furlough days, yet legislators in key positions continue with the help of the media to blame state employees for the deficit.

New Jersey citizens need to understand the truth not the myth or the lie. State workers CANNOT inflate their own compensation/benefits, take severance packages/buyouts, or manipulate their own pensions. Yet our legislators along with the mass media keeps

Sincerely,
[Your name]
[Your address]

Fightback – Communications



35,000 Rally in Trenton to
Oppose Christie Budget, Largest
Rally in New Jersey History –
May 22, 2010

Fight Back: Communications

Keep LA Strong - Windows Internet Explorer


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Keep LA Strong

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KEEP LA STRONG



DEBTORS OWE LOS ANGELES \$447 MILLION. IF BIG DEBTORS PAY UP, WE COULD FUND 180 PARKS. >

Pick Your Favorite LA City Fix

- Trim expensive outsourcing (\$59.6M)
- Collect from deadbeat debtors (\$38.2M)

start | RSIGuard-Anjali | 3 Microsoft Office O... | 3 Microsoft Office P... | Keep LA Strong - Win... | 1:44 PM

Fightback – Legal Action

- **Challenge 1:** State unilaterally imposed 12 furlough days in **Rhode Island**
- **Fightback – IFPTE Local 400:**
 - “Working Rhode Island” a coalition of 10 unions filed suit
→ State Supreme Court blocked action
 - **Governor announces 1,000 civil servant layoffs**
 - **State returned to bargaining table with unions**
 - 8 furlough days in 2009; 4 in 2010
 - 6-month delay in previously negotiated 3% raise
 - Freeze on any layoffs, furloughs or wage reductions until end of June 2011
 - **Local 400 ID’s more than \$10 million savings**

Fightback – Legal Action

- **Challenge 2:** Legislature reduced pension benefits in **Rhode Island**
- **Fightback – IFPTE Local 400:**
 - “Working Rhode Island” filed suite again two weeks ago → Superior Court
 - **Can’t unilaterally change pension benefits once they are vested**

Fightback - Bargaining

- **Challenge:** Budget deficit, Stratford changes health coverage in **Connecticut**
- **Fightback – IFPTE Local 136:**
 - 6 Major Unions in coordination – bargaining same issues
→ Unions take same positions
 - Hired analyst – Unions challenged employer claim of “equal health benefits being provided”
 - Bargained 1-year agreement:
 - 0% increase
 - Employer backed off health coverage change
 - Employee health care costs frozen – no increase
 - No layoff clause bargained

Fightback - California

- **Attack:** on Public Employee Pension Pensions in California
- **Fightback: Californians for Health Care and Retirement Security (CHCRS)**
 - **Coalition:** Local 21, California's teachers, nurses, peace officers, firefighters and other public employee unions.
 - Fight for public employees' right to a safe and dependable retirement.
 - Debunk the myth that the pension system for our police, teachers, firefighters and others who serve the public is in crisis.
 - A strong voice that retirement costs in California are not to blame for the budget woes of government.

Local 21 Jurisdictions –

FY 2010-2011- Projected
Budget Deficits Range From
\$23.5 To \$515 Million

City of Oakland

- Faces a mid-year deficit for FY 2010-2011
 - **FY 2009-2011** – Oakland closed a deficit of \$91-97 million thanks to responsible budget alternatives proposed by City unions' Budget Working Group including the sacrifices made by Union members.
 - Local 21 Members increased pension contributions from 3% → 8% of the employee contribution.
 - Employee sacrifices totaled 10%.
 - **Current mid-year shortfall: ~\$42 million.**
 - City to refinance PFERS safety retirement bond
 - Making more noise about Civilian retirement

City and County of San Francisco

- \$515 million projected deficit for FY 2010-2011
 - City Unions bargained together with City
 - 4.62% pay reduction framework (12 furlough days) providing ~\$200 million over 2 years
 - Limitations on layoffs, 6-month layoff freeze
 - Reduction in Contracting-Out
- Competing pension ballot measures
 - Unions successful in getting average of 2 highest years measure approved by Board of Supervisors for ballot

City of San José

- City claimed General Fund deficit of \$116 million for FY2010-2011.
- City demanded 10% concessions from total compensation; 5% one-time; 5% ongoing.
- Local 21 pulls together City unions to advance global solution to help close budget gap.
- Mayor proposes Charter change:
 - 2-tiered pension benefit
 - Limit binding arbitration for safety

City of San Leandro

- Looming Deficit – 10 positions slated for layoff
- Sales Tax Measure in November
- Local 21 Leaders & Staff educated Mayor and Council to successfully hold off on any layoffs until after November election.

Fightback “Toolbox”

- Effective Communications
- Solid research and analysis
- Innovative Bargaining
- Member Engaged Political Action
- Legal Action when necessary