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Daniel Weintraub: Did pension gambit set stage for solid reforms?

By Daniel Weintraub -- Bee Columnist
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Now that Gov. Arnold Schwarzenegger has dropped his threat to place a pension reform initiative on a special election ballot this fall, it will be interesting to see if all those who complained about his tactics will follow through on their pledges to work with the governor in a bipartisan fashion to solve the problem.

If nothing else, Schwarzenegger's short-lived campaign brought public attention to the issue and smoked out those who had privately acknowledged that a problem existed but were reluctant to propose changes themselves.

At his press conference last week announcing his retreat, the governor was flanked by representatives of cities, counties and law enforcement. They said they looked forward to joining Schwarzenegger in a serious drive to correct excesses approved by the Legislature and local

governments when a boom in the stock market gave politicians across the state a false sense of financial security.

In a joint statement issued after the press conference, city and county representatives said they had been "working tirelessly" on alternatives and added that they "embrace the need for reform."

San Diego County Sheriff Bill Kolender, president of the California State Sheriffs' Association, said Schwarzenegger's decision to stop gathering signatures for his proposal was a "very positive step toward real reform."

Even the California State Employees Association, the state government's biggest employee union, said it believes that the governor, the Legislature and representatives of public employees could now negotiate a plan that "helps stabilize taxpayer expenditures while insuring that public employees have a safe and secure retirement plan."

A cynic would suggest that these positive comments were designed to give the governor a graceful way to back away from the issue. The display of political affection might have been more impressive had the participants endorsed a specific alternative to replace Schwarzenegger's proposal, which would have ended guaranteed pension benefits for future employees and instead given them individual retirement accounts of the kind now common in the private sector.

But the governor insisted that he is serious about developing a new plan and submitting it to the Legislature this summer, and pushing that one toward the ballot next year if lawmakers refuse to cooperate.

"We're going to get there in one way or the other," he said. "So here is another chance for them to come to the table and to talk. And everyone, from law enforcement, fire, the county officials from local government, everyone is interested to sit down and talk about this. And we're going to solve the problem."

Indeed, before Schwarzenegger pulled the plug on his proposal, the cities, counties and sheriffs had quietly put forward alternatives that a year ago would have been unthinkable. So far, no employee groups have embraced any of the proposals, but the fact that local officials are willing to go public with significant changes represents an accomplishment in itself.

The counties, for example, have proposed a "2 percent at 60" plan for new general employees. That means workers would retire with a pension equal to 2 percent of their highest salary multiplied by the number of years they worked. That comes, for example, to 60 percent of final salary for employees who put in 30 years. Under the current rules, adopted at the height of the stock market boom in 2001, local governments can offer plans that give retirees as much as 90 percent of their highest salary after 30 years on the job.

The county proposal for law enforcement would provide the same pension



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multiplier but allow police and firefighters to quit with full benefits at age 50.

The cities, meanwhile, have proposed slightly richer formulas but suggested that those pensions be offset by a portion of retirees' Social Security benefits if they are eligible for the federal retirement plan.

And the sheriffs' association - which represents the bosses, not the deputies - suggested nudging the minimum retirement age for public safety employees up five years from the current standard, which is 50. The sheriffs also proposed a uniform benefit for all public safety workers and another for all general employees, to end the bidding war that now occurs among local governments and their unions. And the association called for a stricter definition of public safety employees, limiting the richer benefits these workers earn to only those employees who risk their lives to protect the public.

The groups have also made several other helpful suggestions, including basing pensions on the highest three years' salary, rather than one year, preventing the awarding of retroactive benefit increases, requiring public employers to fund their plans in good years and bad, and prohibiting the use of investment fund surpluses to pay for benefit increases.

Among the three proposed plans, there is plenty for the governor to choose from as he retools his approach. If the groups that stood next to Schwarzenegger last week stand behind him in the months ahead, the governor might soon be proposing some solid reforms that promise Californians a sound public pension system that is fair to employees and won't break the bank. One could argue that his first plan did that as well, but the next one should have far broader support.

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