

Reporter

December 1991

Number 278

INSTITUTE OF INDUSTRIAL
RELATIONS LIBRARY

SEP 02 1994

UNIV

Announcing a Conference to be held in Sacramento on February 19-20, 1992 on

THE TURMOIL IN PERS

by Bruce Poyer and Marty Morgenstern

In classes and conferences over the past 15 years, our Labor Center has sought to extend knowledge of pension plan concepts, operations and issues — especially to employees and their organizational representatives. Never have pension issues become more significant than this year. Never has the title of our annual public sector pension conference been more realistic than “The Turmoil in PERS.” And never have we had more co-sponsors for an annual conference.

The Governor and the Legislature have dictated the issues that will be of primary concern to participants convening at the Holiday Inn, in Sacramento, on February 19 and 20, 1992. Number one on our agenda is the fate of a huge sum allocated to PERS for retiree benefits, but transferred back to public agency employers by the Governor and the legislature (in AB 702), to help balance the current state budget. These funds were thought to total \$1.6 billion when AB 702 passed last June; current estimates put the total at \$1.9 billion. The question of the legality of this transfer of PERS funds has been challenged in court, but a decision in the case (*Peggy J. Claypool, et al. v. Pete Wilson, et al.*) is not expected before next May or June. Even then appeals could tie it up in the courts for another year.

A second major issue also before the court concerns the Governor's attempt, again with the legislature's concurrence, to transfer actuarial responsibility from the PERS Board directly to the Governor's Office. Our February conference will look at the crucial role of the actuaries, and the importance of their work in pension planning. We will also consider the likelihood of new legislation now under active discussion in Sacramento but not introduced by the December 17 deadline for this article. The key proposal is to transfer, from the PERS Board to the

legislature itself, either the plan's actuarial responsibility, or its investment responsibility, or both.

A third issue of major concern at this conference arises from the Governor's effort earlier this year to re-structure the PERS Board by eliminating the employee representatives. It is not clear that the Governor ever had the unilateral authority to do this, but he abandoned the effort when the legislature balked. The questions remain: could the Governor convince the legislature to assume much greater control over the PERS Board and its policies by “stacking” the Board? Is the Governor actually willing to deprive both active employees and retirees of any voice in the policies of a pension plan which has been created from the deferred wages and salaries of these same employees?

Employee groups have developed a legislative proposal to make it more difficult — if not impossible — for the Governor and/or the legislature either to stack the PERS Board, or to restructure it in order to control PERS policies. Their proposal, in the form of an initiative measure, will be thoroughly reviewed at this conference, as will steps and actions that must be taken if it is to be enacted.

A fourth issue, one of great immediacy, concerns the health care benefits of both active and retired PERS members. The

Governor and the legislature in AB 702 abandoned the previous formula for determining employer contributions to health care plans, covering active PERS members. The health care benefits of all PERS members (active and retired), and the health care contributions of state and public agency employers, will remain fixed until next August. But the Health Benefits Division of PERS is negotiating right now to hold down the rate increase requests of the 28 health plans which cover PERS actives and retirees and their dependents.

Nowhere in the U.S. have major health plans succeeded in holding down health care cost increases — even to the level of cost increases of other consumer items and services in the cost-of-living market basket.

In returning cost decisions to individual bargaining units, many critics feel AB 702 actually weakens the ability of the PERS Health Benefits Division to deal with the problem here. Bargaining units could end up with two dismal alternatives: accept higher costs by taking money from the employees' pockets or from the employers' wage offer, or accept lower benefits. This choice will put employees and their bargaining representatives under enormous pressure, and could well lead to embittered labor-management relations — if not to increasing strike actions, which have occurred nationally on the same issue.

Eventually, difficult funding alternatives will confront retirees as well as actives (even though employer contributions for retiree supplemental plans will continue to be determined by a statewide formula).

The health care questions noted above are compounded by a final uncertainty: if the pension provisions of AB 702 are overturned by the court, do the health care provisions fall as well? It is at least the current legal opinion guiding the Health Benefits Division that the answer is yes.

Finally, our conference will consider a broader issue presented by the infusion of pressure politics into public sector pension plans in a number of states in addition to California: Congress is now involved. Legislation has been proposed to protect the basic economic and retirement security of public employees throughout the nation, by insulating their pension savings from what are politely called "non-pension uses." Our conference will hear about the current status of the proposed federal legislation from those who are even now drafting it.

For our final conference session (Thursday, February 20), we are inviting a high level representative of the Governor's leadership team to discuss all these matters. Since the legal questions raised in the challenge to AB 702 will take some time to resolve, we think it would be useful to review the political and economic reasons which led to the passage of this legislation. We hope the Administration will be willing to set them forth. Several PERS Board members and staff representatives will be present to give their views and raise questions, and the last part of this discussion will be open to audience participation.

We are currently (December 17, 1991), committing speakers and panelists to deal with these difficult issues. We urge you to make your conference reservations early, using the form provided in this *LCR*. We also urge you to consider attending the PERS Board meeting which will be held on Wednesday, February 19, 1992, just before our conference begins.

Finally, we suggest that we can "make a difference" in this conference, if we can inform, educate, and thus enlarge public understanding of the likely impact of recent legislation on what has long been one of the most outstanding public pension funds in the nation.

WHAT A conference on **THE TURMOIL IN PERS**

WHEN Beginning at 5:00 p.m., **WEDNESDAY, FEBRUARY 19, 1992**
(after the PERS Board meeting)

WHERE at the **HOLIDAY INN – CAPITOL PLAZA**
Sacramento, CA

REGISTRATION FORM IS ATTACHED

This article does not necessarily represent the opinion of the Center for Labor Research and Education, the Institute of Industrial Relations, or the University of California. The author is solely responsible for its contents. Labor organizations and their press associates are encouraged to reproduce any LCR articles for further distribution.



CENTER FOR LABOR RESEARCH
AND EDUCATION
INSTITUTE OF INDUSTRIAL RELATIONS

BERKELEY, CALIFORNIA 94720

Information for Participants in the conference on

THE TURMOIL IN PERS

on FEBRUARY 19-20, 1992
at the HOLIDAY INN – CAPITOL PLAZA
Sacramento, California

Sponsor: Center for Labor Research
and Education,
Institute of Industrial Relations,
University of California at Berkeley
(Co-sponsoring labor groups and
associations, and retiree organizations
will be listed in our agenda to be
announced in January)

The conference will convene at
5:00 p.m. on Wednesday,
February 19, 1992, at the
Holiday Inn, following the all-day
meeting of the PERS Board at the
PERS Administration Building,
Lincoln Plaza,
400 P Street, Sacramento.

The 5:00 p.m. session will be
followed by a dinner session with a
guest speaker.

The conference will meet from 9:00
a.m. to 5:00 p.m. on Thursday,
February 20. There will be a group
lunch session.

The conference registration fee is
\$125.00 per participant, including
dinner Wednesday, lunch Thursday,
and all materials.

*Rooms are being held at the Holiday Inn
at the conference rate of \$74.00 single or
double plus tax. Call (916) 446-0100 for
reservations, and specify the conference
sponsor, "U.C. Berkeley, Institute of
Industrial Relations."*



Clip and mail to:
Center for Labor Research and Education
Institute of Industrial Relations
2521 Channing Way, Rm 300
Berkeley, CA 94720

Sessions will include the following topics:

- *"The PERS Crisis: How We Got Here, Where We Are Going"*
- *"Status of Lawsuit Challenging AB 702 — What the Suit
Challenges, Administration Response, PERS Position,
Amicus Briefs"*
- *"The PERS Initiative — What It Will Do"*
- *"Control of Investment Function: What Is at Stake"*
- *"Health Care for PERS Retirees"*
- *"PERS — Other States — the Nation"*
- *"The Administration's View of PERS Issues"*
- *"PERS Board Questions the Administration's View"*
- *"Cracker Barrel Session: Questions from Floor for Board
Members and Administration Spokesperson"*

Final agenda and speakers will be forwarded to registrants in January.

Enclosed is a check for \$125. Please register me for the "Turmoil in PERS"
conference:

Name _____

Organizational Affiliation / Position _____

Address _____

City, State, ZIP _____

*Please make checks payable to "U.C. Regents." For further information, call the
Labor Center at (510) 642-0323.*

IR-35

**Center for Labor Research and Education
Institute of Industrial Relations
2521 Channing Way, Room 300
Berkeley, CA 94720**

FIRST CLASS MAIL
U.S. Postage
PAID
Berkeley, CA
Permit No. 1