

# State workers balk at taking another hit

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In recent years, state workers have felt some pain from California's budget malaise.

But the spending proposal released Monday by Gov. Arnold Schwarzenegger could hit them where it really hurts, adding to pension costs while limiting overtime pay, cutting vacation days and requiring them to take as many as five days off with no pay each year.

"People in Sacramento have been working and living in a comfortable way," the Republican governor said when asked about whether public employee unions were likely to accept the changes. "They've gotten their way, they've gotten all the money. ... And that time is over. We've got to sit down and be fiscally responsible."

But state workers and other public employees, who say they already feel beleaguered by layoffs and stagnant pay, are unlikely to give in without a fight.

"Overall, the goal for this governor is to make the individual worker pay more and the state pay less," said Jim Hard, president of the California State Employees Association, which represents almost half of the state's rank-and-file workers.

"Public employees make an easy target because of the constant campaign of anti-government think tanks and politicians that undermine the positive value of public services."

The changes would have to be negotiated with public employee unions. Some of those unions have contracts until 2006 or later.

Still, in the coming fiscal year, the administration estimates the savings to the state from shifting pension costs to workers would be almost \$300 million.

The governor, in his State of the State address last week, had already endorsed a proposal to scrap the traditional public employee pension system in favor of "defined contribution" plan similar to a 401(k).

On Monday, he went further, calling on state workers who remain in the traditional retirement system to cover half the cost. As it is, state workers pay a fixed rate - 5 percent of their pay for rank-and-file workers, with only the state's costs fluctuating year to year.

In the coming fiscal year, Schwarzenegger's proposal would increase a worker's contribution to 11 percent of pay - \$6,600 for someone making an annual salary of \$60,000, compared with \$3,000 under the current system. That rate would vary from year to year depending on the retirement system's investment returns and other factors.

In effect, the state would shift some of the burden of covering unexpected costs in the retirement system to workers.

The flip side is that workers could choose to leave the retirement system and take home more pay.

Those who chose to leave the retirement system would get a "stipend" equal to the amount the state would normally have paid on their behalf. They would also save money from no longer having to kick in a percentage of their pay to the retirement system.

Together, in the coming fiscal year, those two provisions would mean that a worker who left the retirement system would take home about 10 percent more. Money already on deposit with the California Public Employees' Retirement System would stay there until the worker reached retirement age and started drawing a pension.

"This is kind of an ultimatum," said Pat Macht, a spokeswoman for CalPERS. "If you agree to get out of PERS, we'll give you a raise. If you don't, we're going to make you pay more for the privilege of being in PERS."

She said the proposal would drive up the state's retirement costs even more, because fewer workers would be contributing to the system.

"Our concern is that this is not a well thought-out proposal," Macht said. "It flies in the face of 70 years of success in running a defined-benefit plan" - the traditional CalPERS pensions.

Assemblyman Alberto Torrico, D-Newark, chairman of the committee that deals with public pensions, sees Schwarzenegger's proposal as part of a national push to do away with publicly funded retirement.

"It smacks of Bushism," he said. "It sounds a lot like privatizing Social Security."

Jon Coupal, president of the Howard Jarvis Taxpayers Association, said the proposal "makes a lot of sense."

In addition to the savings to the state, he said, "the employees would no longer give a wink and a nod to the social engineering and corporate governance agenda of PERS. They'd be more concerned about the bottom line."

Schwarzenegger is proposing several other changes to employee compensation.

He wants to give himself the power to furlough workers for as many as five days a year in the event of a fiscal crisis.

He would change the rules so that time taken off work could no longer be counted toward a work week's overtime, as rules now allow.

The proposal gives state workers a fixed rate for health care coverage, instead of a percentage of premiums.

It would eliminate two of 14 state holidays, although it didn't specify which ones.

And it would cap the amount of leave time that workers could accrue.