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## **Suspension of Efforts to Obtain Signatures to Qualify Initiative** *Would Have Saved Billions, and Ensured Pension Promises Could Be Kept*

The California Foundation for Fiscal Responsibility is suspending for now its efforts to obtain signatures to qualify its New Employees Benefits Reform Initiative for the November, 2010 ballot. The initiative, if passed by voters, would have saved the state and local agencies \$14 billion in the first six years and over \$500 billion within 30 years. CFFR will continue to advocate for statewide pension reform and encourage the legislature, who has all the power it needs right now, to reduce defined benefits to a sustainable level for new workers and to ensure pension promises for current workers and retirees be kept.

“Polls show an increasing majority of voters prefer a 401(k) plan for public workers instead of a defined benefit plan. Financial backers tell us the same thing,” says Marcia Fritz, CFFR President. “If legislators do nothing to reduce pension costs next year, we will try again to qualify a pension reform initiative—except one that provides for a defined contribution plan, not a defined benefit plan.”

CFFR is also very troubled at two events that came to its attention last month.

After the Board of Retirement of the Contra Costa Employee Retirement Association was told by their legal counsel that their benefit calculations are illegal, they did nothing to cease making the payments. The majority of the Retirement Board’s members have conflicts of interest in benefit calculation decisions. CFFR’s reform initiative does nothing to reform retirement board compositions to minimize conflicts of interest and ensure the discharge of their fiduciary duties with fairness and integrity.

In 2002, San Francisco voters approved a Charter Amendment that allowed the City to provide new, extraordinary pension benefits to public safety workers. Ballot language stated “***no cash would be required since the City’s Retirement System currently has a large surplus*** and that if the employer is required to make contributions “***the City will negotiate a cost-sharing agreement with the police officers and firefighters to cover all or part of the cost of providing the additional retirement benefits through employee contribution***”. Soon after its passage, pension costs skyrocketed and a very small fraction of the increase is being borne by safety workers. CFFR’s reform initiative requires voter approval future benefit increases, but does nothing to ensure that ballot language is transparent and free from deception.

CFFR encourages local efforts to reign in pension costs. Citizen organizations are attempting to qualify ballot measures, and several city manager groups are meeting to reach consensus on regionally uniform lower benefits for future labor contract negotiations. CalPERS conducted public forums to express its support to agencies to handle the state-wide pension crisis locally.