

# Sacramento Bee

## CalSTRS set for lobbying

**Its goal: Make a case in Capitol for plan to erase its long-term pension deficit.**

**By Gilbert Chan - Bee Staff Writer**  
*Published Friday, December 8, 2006*

Still staring down a \$20.3 billion shortfall, the board of the California teachers' retirement fund is packing up its lesson plan and heading to the Capitol to educate a large class of new lawmakers about a plan to wipe out the long-term deficit.

After spending more than a year crafting a strategy, trustees of the \$157 billion California State Teachers' Retirement System said Thursday that they are ready to sell 120 lawmakers, including 34 first-timers, and Gov. Arnold Schwarzenegger on the pressing need for teachers, the state and school districts to increase their pension contributions.

The campaign next year will emerge as schools and the Legislature continue to wrestle with cash-strapped budgets, including a looming \$5 billion state budget deficit. The knottiest issue could center on school funding and whether the state should cover the extra cost of employer contributions.

"We need a thorough education of every interested party. I don't think we have done that yet," said Trustee Gary Lynes. "The taxpayers will also weigh in."

Because of sweetened benefits, stock market losses and a subpar investment performance, the nation's second largest public fund fell short on covering all its pension obligations over the next five to six decades. Officials say the fund is unlikely to bridge the gap from investment returns. Moreover, trustees have been steadfastly against cutting benefits.

Trustees reaffirm a legislative measure to increase contribution rates starting July 1, 2009, while preserving retirement benefits. Under their proposal:

- The teachers' contribution rate would rise to 8.5 percent from 8 percent. Educators would see their payments increase an average \$350 a year. As a trade-off, a 2 percent annual cost-of-living increase would be guaranteed by law.
- School districts would see the current 8.25 percent rate increase by 0.5 percent a year until it reaches a cap at 13 percent. However, officials said employers could likely meet their obligation with an 11.9 percent rate.
- The state rate, now at 2 percent, would increase by 0.5 percent annually to a maximum of 3.25 percent.

- Trustees also want the authority to adjust rates. Currently, the Legislature must approve any changes. Many pension funds, including the California Public Employees' Retirement System, already have this ability.

For more than 1,000 school districts across the state, the annual cost could grow by more than \$1 billion while the state's bill could increase by \$340 million a year. In 2004-05, schools contributed \$2.1 billion into the pension plan, teachers \$2.3 billion and the state \$598 million.

California teachers shoulder 44 percent of the annual pension cost, which is higher than the average 38 percent by their counterparts in other states, according to a CalSTRS survey. Under the changes, the teachers' share would fall to 35.6 percent.

One hot-button issue could center on the state's Proposition 98 school funding guarantees. State legal opinions are mixed on whether the state is required to pick up the districts' extra pension costs.

At the same time, CalSTRS is exploring a new health care program. Unlike state and local government workers, most retired teachers have no employer-paid medical insurance plan. CalSTRS is studying a health program that would be funded by surplus pension money. Some trustees say that move could jeopardize the pension bill.

"We make a huge error by simply mentioning health care," said Trustee Roger Kozberg. "If we add the health care issue, we're going to make it much more difficult to accomplish the changes to adequately fund the benefits that we already have."

In other action, the board gave the go-ahead to plans to enact new rules limiting campaign contributions from firms that do business with the fund.

The crackdown on controversial pay-to-play practices will put a \$1,000 cap on annual contributions to board members as well as the governor and gubernatorial candidates.

Violators could face up to a \$10,000 fine and a two-year ban on doing new business with CalSTRS. The fund expects to conduct a public hearing on the proposal in March and the regulations could be in place by August