



**PROFESSIONAL ENGINEERS**



**IN CALIFORNIA GOVERNMENT**

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## **PENSION FACTS AND FALLACIES**

**SACRAMENTO** – Opponents of pension plans for public servants have claimed that pension reform is needed because pensions are excessive, governments will go bankrupt, costs will sky rocket and other public services will be eliminated because of high pension costs, all at the taxpayer’s expense. None of this true. These are just false claims made by those who want to damage public servants and the services they provide.

“Opponents of the retirement plan claim that the State’s contribution will rise to over \$10 billion, it will bankrupt government agencies, and divert funds from needed programs. None of this is true,” said Bruce Blanning, Executive Director of Professional Engineers in California Government (PECG). “The pension plan is solid, sensible, and actuarially sound. Those who would destroy the plan have to disregard the facts to make their case. Their destructive proposals should be rejected.”

The Public Employees Retirement System (CalPERS) is an independent agency which oversees and administers the pension plan for State and many local agency employees. The participating agencies and their employees contribute money to the fund which is then invested to ultimately provide pensions to employees when they retire. Pensions are based on a formula which considers final salary, age at retirement, and years of service.

The following are the facts:

- The average retiree receives \$2,100 per month which can increase by no more than 2% per year, regardless of inflation.
- For every \$8 received by a retiree in a pension, \$6 comes from investment returns; \$1 from employee contributions; \$1 from the employer or taxpayer.
- The employee contribution varies between 5% and 8% of salary. The employer or State contribution varies from nothing to 21%, depending on investment returns. Over a 20 year period, the employee and employer contributions are about equal.
- Due to the downturn in the economy, the State contribution is currently 16.9%, or about \$3.3 billion per year.
- PERS has increased the State’s contribution to \$3.5 billion next year. The Governor asked to increase the contribution to \$4.8 billion in order to make the system appear to be more expensive than it really is. PERS refused.
- PERS estimates that in future years, the State’s contribution could increase to 24% or \$4.7 billion, before gradually reducing. The increase will be less than that if investments yield a higher return than projected, which has frequently been the case in the past.

### ***ABOUT PECG***

*PECG represents the 13,000 state-employed engineers and related professionals responsible for designing and inspecting California’s highways and bridges, ensuring that schools and hospitals are safe during earthquakes, and protecting our air, water and beaches from polluters.*