

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Push to Change California Pensions Set to Roil Calpers.**

A group of politicians and business leaders is making a new effort to reduce California's mounting pension problems, with a ballot campaign that would curb retirement benefits for new hires and give voters a larger say on future cost increases.

The California coalition hopes to ask voters next fall to approve an initiative giving governments the power to deny guaranteed retirement payouts to new workers and instead cycle employees into 401(k)-style plans starting in 2019. Future increases to the benefits of current pensioners would also be subject to a popular vote, among other changes.

The effort is expected to be watched closely around the U.S. as it sets up a potential battle with the California Public Employees' Retirement System, known as Calpers, which controls retirement money for many municipal and state workers as the country's largest public pension fund.

Calpers relies on contributions from governments to fund worker pensions, and it has argued those retirement benefits are guaranteed by California law and can't be cut.

Pension contributions are among the heaviest costs shouldered by California municipalities. California cities are expected to make a total of \$5.1 billion in contributions during fiscal 2015, accounting for nearly 7% of total revenue, according to the California Policy Center, which analyzed 459 municipalities. Higher contributions often mean cash-strapped cities are forced to cut services or raise taxes to cover the bill.

"We need to do something to get control over these skyrocketing costs," said former San Jose Mayor Chuck Reed, one of the backers of the new campaign.

A Calpers spokeswoman said via email that "comprehensive pension reform has already been enacted in California," adding that "defined benefit plans are the most cost-effective way to save for retirement and should remain an important tool in retirement planning."

The proposed California initiative would put new hires onto a 401(k)-style plan, requiring municipalities that want to keep a more traditional defined-benefit plan to put it up for a popular vote. Otherwise, new government hires would be placed into the system starting Jan. 1, 2019, which more closely resembles those at private-sector companies.

In a traditional pension plan, administrators choose where to put the money and employees receive a set payout at retirement regardless of how well or poorly the funds were invested. In a 401(k)-style plan, employees typically decide where to invest their funds. At retirement, they have a sum of money reflecting how much was contributed and how the investments fared.

Voters don't typically have much say when it comes to designing retirement benefits, a responsibility typically left to elected officials. "It's unusual for pension benefits to be subject to popular vote," said Keith Brainard, research director at the National Association of State Retirement Administrators.

The ballot-measure campaign still has several hurdles to clear, needing to gather around 560,000

signatures and emerge from a review by Attorney General Kamala Harris. The ballot campaign would also have to overcome opposition from organized labor, which is expected to mount opposition to it.

A similar effort to curb pension benefits in California failed to come up for a vote last year. Where this attempt differs is that it doesn't ask for benefit reductions from current employees.

The group backing the new effort includes former San Diego council member Carl DeMaio, a Republican, and Mr. Reed, a Democrat who was able to pass a pension overhaul in his previous job as mayor of San Jose. The group has spent \$180,000 so far on the campaign but ultimately could require around \$25 million, Mr. Reed said.

If successful, the initiative "puts the power in the hands of the voters to service a check on bad deals made by politicians," Mr. DeMaio said.

THE WALL STREET JOURNAL

By TIMOTHY W. MARTIN

Updated June 4, 2015 5:16 p.m. ET

Write to Timothy W. Martin at [timothy.martin@wsj.com](mailto:timothy.martin@wsj.com)

Copyright © 2026 Bond Case Briefs | [bondcasebriefs.com](http://bondcasebriefs.com)