VENTURA COUNTY STAR

# Herdt: A productive year for state legislators

By Timm Herdt

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There will be many who will suggest that either this keyboard or its operator is defective, but the following sentence is intentional: The California Legislature had a productive year.

The Legislature's closing week was highlighted by three major accomplishments.

(1) It delivered on an overhaul of public-employee pensions.

(2) It revamped the $16 billion workers' compensation insurance program to squeeze out enough waste to provide a significant boost in benefits to injured workers, reduce premiums for employers and, quite likely, avert a once-every-decade crisis of runaway costs.

(3) It took the first step toward creating what could become the most important program to address looming poverty among the elderly since Social Security, perhaps helping to re-establish the California Legislature's historic role as a national leader in the development of visionary public policy.

The pension measure may not have been as significant as some reformers had been clamoring for — for instance, it put off the pressing need to start dealing with the funding of retiree health costs — but it was comprehensive and consequential.

Some critics complained that the Legislature's reforms did not include a "hybrid" plan first sought by Gov. Jerry Brown, but the fact is that idea never penciled out.

Republican Assemblyman Cameron Smyth of Santa Clarita acknowledged that in a statement lauding the reforms.

"The centerpiece of this deal is a cap on pensionable salaries," he said. "While we had discussed a hybrid model earlier in the year, it became apparent that a hybrid system would end up costing the state more money than moving to a capped system like the one that was settled on."

The reform bill also implements anti-spiking rules that will put an end to loathsome manipulation engaged in by retirement-ready local government workers to load up their final year's compensation to receive pensions in excess of what they honestly earned.

It raises retirement ages and lowers pension formulas so that a new generation of public employees will have to work longer to receive benefits that are somewhat lower, but still sufficient to provide a comfortable level of retirement security.

The workers' compensation changes are the result of one of those rare bipartisan moments — a situation in which labor and business, Democrats and Republicans joined forces.

They are the result of months of negotiations involving the Brown administration, labor groups and some of the state's largest employers.

"Everybody could see rates that were high and were going on the rise and that injured workers were still getting meager benefits," California Labor Federation legislative director Angie Wei told me. "One-third of the pie was going to administrative expenses, and it was just waste."

The result: an anticipated $860-million-a-year increase in benefits to workers and the elimination of a scheduled 18 percent increase in premiums paid by employers.

While the pension and workers' compensation bills received a lot of headlines, the sleeper measure of potential great consequence was SB 1234, a bill that sets in motion the creation of a tax-advantaged, professionally managed retirement savings plan for private-sector workers who do not now have access to either a pension or a 401(k) plan.

More than 60 percent of workers in the state do not participate in an employer-sponsored retirement plan.

The bill establishes a board that will conduct a further analysis, with the goal of creating a program in which such workers would have 3 percent of their wages deducted from their paychecks and placed in a retirement account that would stay with them wherever they worked. The default provision would be that the savings would be automatically withheld; workers could opt out if they chose.

Employers, at their option, could match a portion their employees' savings.

The retirement funds would be very conservatively invested, and guaranteed by private insurance.

"The potential for it is huge," says Christina Clem, associate director of the California AARP. She notes that 60 percent of workers now approaching retirement age have savings and investments of less than $25,000 and 30 percent have less than $1,000.

"I look at those numbers, and I say, 'Oh, my God,'" she said. "We're trying to find some workable ways to make it easier for people to save for retirement."

The Legislature that disbanded last week will, in the near term, be best remembered for having taken a large step to rein in public-sector pensions.

From the vantage point of history, however, it might better be known as the first legislative body in America to take a significant step toward addressing a looming retirement-security crisis in the private sector.