

May 30, 2014

The Honorable Jerry Brown  
Governor, State of California  
State Capitol, 1<sup>st</sup> Floor  
Sacramento, CA 95814

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**RE: Proposal to Address the CalSTRS Unfunded Liability**

American Federation of  
Teachers, AFL-CIO

Dear Governor Brown:

The California Federation of Teachers (CFT), which represents over 100,000 educators and education support professionals across California, would like to thank you for proposing a solution to addressing the current unfunded liability of CalSTRS. A secure retirement is critical to educators across the state and across the nation, especially in California where they are not eligible for social security. We clearly understand that we must address this important issue now. CFT believes that all stakeholders are responsible for solving the CalSTRS unfunded liability. We believe that your proposal is an aggressive plan for addressing the issue. *However, our members believe that the proposed solution should be modified in the following ways:*

- 1. CalSTRS should be funded at 80% over a 30 year timeline. This option is the fairest solution given the following reasons:**
  - This percentage more than adequately funds the STRS pension plan while minimally impacting members and employers directly and indirectly.
  - This percentage and timeline ensures that public schools will not be forced to lay off teachers, cut programs and slow or stop the implementation of new academic standards and assessments. In short, it will keep more money in the classroom and ensure that every child has a high-quality teacher.
  - This percentage and timeline will lessen the financial burden on members who are currently being paid at lower than state averages.
  - Under private sector assumptions, this suggested rate compares to approximately a 110% funding level regarding pensions.
  - This rate is considered safe by California Actuarial Advisory Panel (CAAP) standards.
  - Under federal pension law, a plan is considered endangered ONLY if at the beginning of the plan year, the funded percentage of the plan is less than 80%.

**2. CFT also recommends that the following contribution levels and start dates because they are the most reasonable and fair for all stakeholders:**

- We support your proposal for the state share of contributions, which includes increasing the state contribution to 6.33% phased in over 3 years, starting it in 2014-2015 and funding it outside of Proposition 98.
- We support your proposal for increasing employee contributions by 2.25% phased in over a period of time. However, we believe the increase should be phased in over a longer period of time and with more gradual increases per year. In addition, we believe that the increases should start in 2015-2016 so that educators can be better informed about the increases and better prepared to adjust their family budgets.
- We have serious concerns about your proposal to increase the district contribution rate to 19.10% over seven years. At a time when schools are just beginning to emerge from severe cuts over the past several years, and California is ranked 50<sup>th</sup> nationally in school funding, we believe that such significant increases over this timespan will negatively impact school districts, resulting in cuts to programs, layoffs of teachers and ultimately lost opportunities for our students.
- Instead, we recommend that first, contribution increases should begin in 2015-2016 so that school districts can prepare for these increases.
- Secondly, we recommend that the contributions be smoothed out over a longer period of time so as not to take much needed resources away from the classroom and students.
- Finally, we believe that pension legislation should include mandatory triggers every five years so that the legislature can re-examine the funding status and make adjustments as necessary.

In conclusion, the CFT believes that these changes to your proposal will create a minimal disruption to the personal finances of educators across the state while at the same time ensuring a safe and secure retirement. We also believe that for the employer these changes will be less disruptive to the educational mission of our districts and schools. Finally, for parents and students, these adjustments will ensure that they will be provided with a high-quality public education.

Respectfully,



Ron Rapp  
Legislative Representative  
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cc: Members, California State Senate  
Members, California State Assembly