

BUDGET ACTION ALERT

February 12, 2008

The governor's recently released budget proposes several changes that will harm retired educators!

As you know, the SBMA is funded from a 2.5 percent state contribution that is made each July 1. CalSTRS pays a quarterly benefit (to the extent there are sufficient funds to do so) to maintain the purchasing power of the current Defined Benefit Program (DB) at 80 percent of the purchasing power of the original benefit.

The state reduced its SBMA contribution by \$500 million in 2003-04 to address the budget deficit at that time. The CRTA, and others, successfully sued the state to compel payment of the \$500 million, plus interest, and the state paid \$500 million in September. An additional amount is owed for interest, which must be appropriated by the Legislature.

The governor's budget proposes the following changes with respect to the SBMA.

- As proposed last year, the budget would guarantee payment of the 80 percent purchasing power benefit and reduce the state's contribution from 2.5 percent of the DB program compensation to 2.2 percent. This action would reduce the state's contribution by about \$80 million in 2008-09 and a projected \$84 million in 2009-10.
- The budget proposes reducing the contribution rate, the state's contribution would be paid in two installments, on November 1 and April 1, rather than July 1 of each year. The rate would be adjusted as necessary to maintain full funding of the guaranteed benefit.
- The budget proposes to pay the interest owed on the \$500 million over a three-year period, beginning in 2008-09. In 2008-09, \$80 million would be paid, and additional \$84 million would be paid in 2009-2010, and a final payment of \$46 million and \$210 million to be paid in 2010-11.

These budget proposals will hurt retired teachers because the proposals:

- Cap the purchasing power protection at 80 percent by vesting the benefit, Closing the door on future increases. Your purchasing power protection would never go above 80 percent regardless of the rate of inflation.
- Reduce the state's contribution for purchasing power protection.
- Establish a payment schedule for the \$200 million interest the state was ordered to pay resulting from CRTA's lawsuit rather than paying the court-ordered settlement all at once.

Please contact your legislator and ask him/her to oppose this budget proposal.

Below are "Budget Message Points" that should be included in your letter to your legislator.

2008-09 BUDGET MESSAGING POINTS

Please contact your legislator requesting them to oppose the current 2008-09 state budget proposal. Your letter, fax, email or phone call should include the following points:

- Please reject the Governor's Budget proposal to keep retired teachers from losing 20% of the value of their retirement allowance. Social Security does not require any loss but the Governor proposes keeping teachers at a 20% loss.
- Retired California teachers do not have other assured retirement support beyond the California State Teachers' Retirement System (CalSTRS) because most are not eligible for Social Security. Those who are eligible for Social Security lose their benefits because of the Windfall Elimination Provision and Government Pension Offset penalties.
- Please reject the Governor's Budget proposal to cap/limit the purchasing power protection at 80% by vesting the benefit. The Legislative Analyst recommends that this vesting proposal be rejected because it puts the state at significant risk. At a time when the state is unable to meet its financial obligations, why add to the burden? Please reject this vesting proposal that caps/limits retired teachers and puts the state at fiscal risk.

CONTACTING YOUR LEGISLATOR:

- Handwritten letters are best. Please address them using "The Honorable (insert full name)".
- Other options include postcards, phone calls or e-mail.
- We need to keep sending our message to the legislature until the budget is completed or until our requests have been fulfilled so please contact your legislator every 3 weeks! Do not stop after one letter or phone call.

If you need assistance in finding your legislator go online to www.legislature.ca.gov and enter your zip code or address in the box on the right. You will then see the names of your representatives and if you click on the persons name you will be taken to his/her webpage where you will find office addresses and a link to email the person directly from the page.

