

Testimony by Mike DeBord, Representing California Retired County Employees Association  
Conference Committee on Public Employee Pensions  
Governor Brown's Pension Reform Proposals  
December 1, 2011

*Note: The following testimony was provided to the legislative committee at the State Capitol in conjunction with the formal letter from CRCEA on this topic*

Introduction:

Honorable Members of the Committee on Public Employee Pensions,

I'm Mike DeBord, of the California Retired County Employees Association, representing 163,000 retirees in California. We have provided each of you with our position paper on the Governor's proposal as well as our references for your review. I hope you have received our paper and will take the time to read it. (Several members nodded and acknowledged the document.)

As retirees, we are very concerned about the future of our kids, and our kid's generation.

What do we learn from mistakes? Not to repeat them. 401(k) plans appear to have been a disaster in the private sector for preparing workers for retirement security. The Wall Street Journal stated that 60-62 year olds preparing for retirement have less than 25% of what they need in their 401(k) to maintain their standard of living. Extrapolate that out over the \$3.3 trillion currently in 401(k) plans nationwide and you will find that the shortfall (the equivalent unfunded liability) is \$9-10 trillion, the amount necessary to continue their standard of living in retirement. No one talks about the private sector unfunded liability. And just imagine the future impact on our economy with all those poor retirees.

What do we learn from success? How to appreciate and improve what we do and how to repeat success in the future. Defined benefit plans have been successful and can continue to be successful for preparing workers for retirement security in the future, with some needed changes.

Many of the needed changes are in the Governor's proposal. But our concern in the Governor's plan is the diminishing of the defined benefit plan component with the addition of the "401(k) defined benefit" component.

The result will be to reduce retirement security for future retirees. As well, this concept diverts the public sector worker's focus and attention from providing outstanding public service to worrying about what's happening with their 401(k) plan on a daily basis.

Do we really want to have our cops and firemen preoccupied thinking about their 401(k)'s every day? Of course not! I spent 32 years in public service and put all of my energy into my job. I

didn't even run the numbers of my future retirement until after I had 30 years of service. That's good, the way it should be! **I trusted my defined benefit pension system!!!** And I hope future employees will have the same opportunity!

Thank You