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Sleeping Giant

By Pete Pomerleau

<http://protectsanjose.blogspot.com/2009/08/sleeping-giant.html>

Admiral Yamamoto could have been speaking for the San Jose City Council when he said: "We have awoken a sleeping giant." Yamamoto's sleeping giant was the United States, awoken by the bombing of Pearl Harbor. The giant in today's terms is the body of active and retired employees of the City of San Jose, and the battle is over our pension plans.

For those not up to speed, the City is in full-on attack mode. City administration hired an outside agency from Canada called Cortex to look at making our pension plan "better." We were assured during meetings with these consultants that we as stakeholders would have a say in any re-organization. I can tell you for a fact that we will, because this is a clear meet-and-confer issue under our contracts, as noted by Bobby Lopez and Randy Sekany in their blog last week on Protect San Jose.

I spent two nights last week listening to and addressing some of the changes proposed by Cortex that the City is planning to ram down our throats. Beyond the damage these changes would do to officer morale as well as our recruitment and retention efforts, the proposed plan is just plain flawed.

The best people to manage a pension fund are the employees who pay into it. City staff has been trying to figure out ways to cut into our well-managed plans for years to subsidize the many financial quagmires they've gotten themselves into. We have to scale back on our new Southern Substation because of poor business decisions and practices made by supposed experts. We couldn't even get our new City Hall completed without numerous problems, and we hired the best architects in the country. Now the city wants us to hire more experts to manage our pensions. Well, I've got news for you: You could hire Warren Buffet to manage our funds, but he wouldn't be able to guarantee higher returns.

I want to share some other ideas that were presented to us by Cortex and some of our responses. For reference, you should click [here](#) to open their report, which City Manager Figone brought before the City Council on June 23rd.

On page 27 of the report (p. 33 of the pdf), Cortex cites "good" examples of companies that changed their retirement boards in similar ways. Funny, but the numbers I have tell quite a different story:

- Canada Pension Plan: lost 18.6%
- National Railroad Retirement Investment Trust: lost 19%
- Yale Corporation Investment Fund: lost 25% this year

On the other hand, during 2008, the San Jose Police and Fire pension plan lost 5.1% and the Federated plan lost 3.1%. The question begs to be asked: What are we getting by putting our future in the hands of the “experts”?

As members, we contribute a chunk of our salaries every payday to the future of our plan. We also contribute our tax money into the plan along with every other resident. This is a well-developed plan that has generated tens of millions of dollars in returns to the City. We never asked for a bigger cut while the City reaped the rewards in the bullish years. But they have seen it fit to attack and demonize us in the court of public opinion in the lean years.

Maybe in the future the City should think about putting some revenue away for a rainy day, rather than spending it on non-essential services. Wouldn't that be a sound business idea?

Before I sign off, you should know that Councilmembers Ash Kalra and Rose Herrera sat through both community outreach meetings last week. They listened as City employees described their frustrations. Rose even walked through the crowds and spoke one-on-one with us. This is a fine example of the dialogue we so desperately need to have with our Councilmembers. I'd like to thank Ash and Rose for leading the way.