

AEU MEMBERSHIP HANDOUT RE BARGAINING

The following is a handout of the power point presentation, updated, as reviewed at the AEU membership meeting on September 21st.

AEU is providing this information to members and will continue to keep the members informed about developments as they transpire.

The following explanations on the attached power point presentation handout are provided for the edification of the AEU's membership and address questions posed by the members at the September 21st meeting.

In Solidarity,

AEU Bargaining Team: Debbie Pichetto, Val Hollins, Karen Hartmann, Scott Hendries, Carol Koenig, Chris Platten

AEU BARGAINING

DEMANDS

- **STRENGTHEN CONTRACT LANGUAGE**
- **RETAIN EMPLOYER PAID MEDICAL BENEFITS**
- **RESTORE LOST PENSION BENEFITS**
- **OBTAIN MARKET BASED RAISES**

SLIDE #1

SLIDE #1 COMMENTS

AEU's bargaining demands are premised on the need to resolve certain critical working conditions. Chief among these are:

- (1) The need to strengthen certain language provisions, especially regarding work load and work preservation;**
- (2) Retention of employer paid medical benefits;**
- (3) Restoration of the reductions in pension benefit formulas and elimination of the 2-tier pension benefit structure; and,**
- (4) Acquisition of a wage increase based on the labor market defined by the parties as similarly situated employees of large labor organizations within California.**

CSEA BARGAINING OBJECTIVES

- 1. Achieve reduced costs by lowered net expenses.**
 - Obtain employee contributions for health care
 - Obtain employee contributions for pension benefits
 - Retain reduced pension benefits
 - Provide lower than market net salary increases
- 2. Obtain increases in dues revenue from CSEA members by exploiting false pension and medical care comparisons between CSEA staff and CSEA members.**

SLIDE #2

SLIDE #2 COMMENTS

CSEA's bargaining objectives have been to deny AEU the fundamental improvements outlined above and to "hold the line" against any cost increases as a means of demonstrating restraint on employee wages and benefits in order to assist CSEA in an eventual effort to convince its membership to increase dues revenue. Of course, this overlooks the fact that CSEA and AEU worked collaboratively to successfully pass Proposition 30 which will rebound to the benefit of CSEA members and the finances of the organization.

CSEA MANAGEMENT & AEU MEMBERS

	<u>Mgmt</u>	<u>AEU</u>
Number of employees	44	217
% of CSEA Employees	15.5%	84.5
% of total salary	25.14%	76
Dollar Pension Contribution	\$1.78M	\$5.3M
Employer Matched 401(k) Contribution - \$169k (An additional 2.93% of management salary) (Notes to Cons. Fin. Stmt. FY 13 at p.19)	Yes	No
Years Required to Vest 100% for retiree medical	8 yrs	15 yrs

SLIDE #3

SLIDE #3 COMMENTS

AEU members work within an organization that has its own great divide between the managerial “haves,” and the AEU member “have nots”. While AEU members comprise almost 85% of the CSEA workforce, upper management personnel take home a much higher proportion of salary and benefits, more than 25% and have 100% vesting in the retiree medical plan in eight years compared to 15 years for AEU members.

CSEA BUDGET MISREPRESENTATION

- **Over budgeted amounts**
 - Ghost employees
 - Benefit costs not based on valuations
- **Reporting Accrual Rates v. Actual Cash Costs in Budget**
- **Misrepresenting AEU benefit costs – “it is NOT 92%” of salary**
- **Over contributing to post-retirement medical plan (FY 12-13)**
- **Mixing accrual accounting with cash accounting in financial statements**

SLIDE #4

SLIDE #4 COMMENTS

CSEA has misrepresented the accurate state of its budget. The two most simple examples are in the over budgeting of the number of employees actually on the payroll, and in over-budgeting for pension contribution costs. Moreover, CSEA mixes accrual accounting with cash accounting on its financial reports, thus over representing the actual expense of certain items, like pension contributions in prior fiscal years. Finally, it is incorrect for CSEA leaders to tell the CSEA Board that it pays 92% of salary for employee benefits for AEU represented employees. Much of this figure is composed of federal and state mandated costs, such as FICA, FUTA, SUTA and workers' compensation premiums required by law. These costs are directly applicable to all employers and do not represent "benefits" in the normal sense of the term. CSEA also counts the car allowance to over inflate this figure even more.

EASILY KNOWN SAVINGS FOR FY 2013-2014

**Over budgeted “ghost”
employees**

\$1.9M

**Pension contribution
actual v. budget**

\$1.9M

TOTAL

\$3.8M

SLIDE #5

SLIDE #5 COMMENTS

The amount of monies available in the FY 2014 CSEA budget that is available, without question, for bargaining purposes with AEU is *at a minimum* \$3.8M: \$1.9M pension contributions not required by the plan actuary and \$1.9M in employee costs budgeted for non-existent employees.

COST OF AEU BARGAINING DEMANDS – YEAR 1

3% salary increase

\$190K x 3 = \$570 K

Pension restoration June 1, 2013¹ \$579 K

H&W costs \$150 K

TOTAL \$1.3M

Known FY 2014 CSEA savings \$3.8 M

Net to CSEA \$2.5M

¹ AEU Actuary Thomas Lowman

SLIDE #6

SLIDE #6 COMMENTS

Under AEU's current 1-year proposal, a 3% salary increase, restoration of lost pension benefits going forward to all employees regardless of date of hire, and retention of current health care coverage will cost approximately \$1.3M. If agreed to, this would leave CSEA with a budgeted net benefit of over \$2.5M for FY 2014.

PUBLIC PENSIONS V. AEU PENSION

	PUBLIC PENSIONS	AEU
COLA	Yes	No
EPMC Pension Increase	Yes	No
Impair Future Benefits ¹	No	Yes
2+% Accrual Rate	Yes	No

¹ Cal. Const. Art. I, §9

SLIDE #7

SLIDE #7 COMMENTS

CSEA has been less than clear with its membership about the difference between public employee pensions and the pension benefits available to AEU represented employees. First, it is hypocritical for CSEA to now argue that because public employees have seen their pension reduced for new employees, AEU should suffer the same fate. That is contrary to every public message CSEA management has issued for years. Second, it disregards the reduction in benefits AEU agreed to in the last contract – to save CSEA monies. AEU members have sacrificed for pension benefits. Third, it ignores the strong funded status of the CSEA pension plan as a result for the last two years of strong asset growth and the new Map 21 funding formula--- it is now more than 90% funded. And fourth, CSEA ignores the fact the public employees, unlike AEU members who contribute to the cost of their pension, also enjoy several advantages over AEU members: their pensions may not be prospectively reduced because they are protected from impairment under the federal and the state constitutions, and their pensions are subject to a 2% annual cost of living adjustment after retirement. In sum, comparison of the AEU pension with pension benefits under CalPERS is not apt.

LABOR MARKET COMPARISON – MEDICAL BENEFITS

SEIU 521 & CWA	\$0 Employee Cost
UOU & AFSCME 3299	\$0 Employee Cost
SEIU 721 & UUP	\$0 Employee Cost
UAW 2350 & CASE	\$0 Employee Cost¹
SEIU 1021 & CWA	\$0 Employee Cost
CWA & LTCW	\$0 Employee Cost
Pacific Media Workers Guild & Cal Labor Federation	\$0 Employee Cost
FRU & CFT	\$0 Employee Cost

¹ Kaiser coverage premium paid by ER.

SLIDE #8

SLIDE #8 COMMENTS

This slide shows that among those labor organizations with staff union contracts considered by CSEA in preparing for bargaining, all contracts provided by CSEA to AEU show that the employer unions pay 100% of medical premium costs – as is the case with the expired AEU contract.

LABOR MARKET COMPARISONS - PENSIONS

SEIU 521 & CWA	-	Employer pays 14% of gross wages into DB Plan (SEIU Affiliates Plan)
	-	Employee contributions are prohibited
	-	Employer matches up to 3% of employees' gross pay into DC plan
UOU & AFSCME 3299	-	AFSCME International Pension Plan
	-	Employee contributes 3% of first \$3K and then 4% beyond, but accrual rate = 2.5% per year ¹
SEIU 721 & UUP	-	SEIU Affiliates Plan
	-	Employer matches up to 3% of employees' gross pay into DC Plan
UAW 2350 & CSEA	-	SEIU Affiliates Plan
SEIU 1021 & CWA	-	SEIU Affiliates Plan
	-	Employer matches up to 5% for eligible employees
CWA & ULTCW	-	SEIU Affiliates Plan
Pacific Media Workers Guild & Cal. Labor Federation	-	DB Plan with 3% accrual in the 5 highest years of pay
	-	Employer 401(k) match up to \$1,475
FRU & CFT	-	DB Plan 3% COLA
	-	Up to 3% accrual at age 65
	-	Employee contributes 3% gross salary per year
	-	Employer 401(k) contribution of \$2,200 plus 3% of salary capped at \$4,500

¹ SPD at p. 9.

SLIDE #9

SLIDE #9 COMMENTS

This slide shows that among those labor organizations with staff union contracts considered by CSEA, only 2 provide for employee contributions for pension benefits. The SEIU affiliates plan prohibits employee contributions, and the CFT plan provides a cost of living adjustment for employee pensions.

CSEA EXECUTIVE DIRECTOR REPORT TO CSEA EXECUTIVE BOARD

JUNE 15, 2013, p.8:

“In contrast, our members pay dues to fund our staff’s salaries and benefits that include:

- 100% fully paid pensions with no employee contribution.**
- 100% fully paid health coverage, with no employee contribution, for employees and their dependents.**
- Full retiree health coverage for employees and their dependents.**
- 2% one-time wage increases over each of the past two-years.**
- A benefit package that averages 92% of salary for each bargaining unit employee. For every \$1 we pay in salary, we pay ninety-two cents in benefits.”**

SLIDE #10

SLIDE #10 COMMENTS

The CSEA Executive Director reported several “facts” to the CSEA Board and to the CSEA delegates at this years conference without clarifying that the pension plan varies structurally from those in the public sector; that the comparable labor market shows that similar employers offer 100% employer paid health plans; that the wage payment last year resulted from an arbitration award in AEU’s favor and not from the munificence of CSEA, and that the “92%” figure inappropriately includes legally required direct costs and car allowance -- not just negotiated benefits.

OTHER MAJOR ISSUES

- **Donated sick leave**
- **Mileage, gas, cell phone, meal reimbursements**
- **Intern program**
- **Preservation of bargaining unit work – temporary employees**

SLIDE #11

SLIDE #11 COMMENTS

Several important contract issues remain for resolution. Importantly, workload and work preservation for AEU members, as well as certain allowance reimbursements and sick leave donation issues, require reasonable resolution.

PENSION PLAN COMPARISON

AGE 60, 30 YEARS SERVICE AT RETIREMENT \$50,000 SALARY

PERS 2% @ 62

AEU Member Hired after May 31, 2011

30 yrs x 2.0%= 60 % of salary.

30 yrs x 2.0% = 60% of salary

Retirement amount

Age 62		\$30,000.00 per year	\$30,000.00 per year
Age 67	2% COLA	\$33,121.00	\$30,000.00
Age 72	2% COLA	\$36,565.00	\$30,000.00

10 YEAR TOTAL RETIREMENT
PAYMENTS

\$335,043.00	\$300,000.00
\$35,043.00 more retirement income	

15 YEAR TOTAL RETIREMENT
PAYMENTS

\$529,129.00	\$450,000.00
\$79,129.00 more in retirement income	

20 YEAR TOTAL RETIREMENT
PAYMENTS

\$743,404.00	\$600,000.00
\$143,404.00 more in retirement income	

SLIDE #12

SLIDE #12 COMMENTS

This dramatically shows how the current new employee AEU pension benefit cuts have placed employees hired after May 31, 2011 at a real monetary disadvantage compared with those new public sector employees hired under the reduced benefits implemented by the Brown Administration through AB 340 effective Jan 1, 2013. Over a male employee's expected lifetime, someone retiring under the reduced public pension plan of 2% at age 62, after 20 years of retirement, will earn in excess of \$143,000 more than a similarly situated member of AEU. Again, the difference in the COLA benefit for the public sector employee accounts for the variance in benefits.

LATEST CSEA MULTI-YEAR PROPOSAL

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Wages	\$0	2.25% \$405K	2.50% \$855K	2.75% \$1,350K
Restoration of Pension Benefits Formula	_____	_____	_____	_____
Employee Pension Contribution	_____	1.50% (\$270K)	3.00% (\$540K)	5.00% (\$900K)
Employee Medical Contribution	_____	.25% (\$45K)	.50 (\$90K)	.75% (\$135K)
Net		\$90K	\$225K	\$315K
TOTAL NET w/o Medical				\$630K

SLIDE #13

SLIDE #13 COMMENTS

CSEA's last multi-year proposal would carry a net cost of only \$630,000 over four years because it off loads costs for pensions and medical benefits from CSEA to AEU members. It is exactly the kind of employer tactic CSEA decries in the public sector; CSEA inexplicably adopts that tactic in its bargaining with AEU. This is hypocrisy in its most blatant form. At the same time that CSEA President Michael Bilbrey is running for the CALPERS Board to "protect and preserve pensions" and CSEA Executive Director Dave Low chairs the statewide organization "Californians for Health Care and Retirement Security" established to protect retirement security for public employees, top CSEA leaders seek to undermine pensions for AEU members by insisting on further cuts unsupported by the healthy state of the CSEA budget.