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### Case Memo 1: Pension Reform in California

In the financially fragile and politically heated environment that California faces following the recall of Gray Davis, Governor Schwarzenegger is responsible for managing the daunting task of pension reform for over 2.2 million public employees. Two important options that the Governor must decide on are either defined benefit plans or defined contribution plans. One of the key differences between the two involves payment plan flexibility. With defined benefit plans the employee is part of a more standardized pay system on a yearly basis, while the defined contribution plan gives employees more flexibility to invest their money into personal pension accounts for future retirement. The defined contribution plan is somewhat of an attractive option for the Governor because not only would the move show his willingness to take action on an important issue (part of his political platform) but it also standardizes the role of the State with regard to how much they pay into personal pension accounts, shifting more responsibility to employees.

The move toward pension reform has not gone smoothly for the Governor. He has faced a great deal of opposition. Groups like CalPERS and CalSTRS, which work as and naturally defend a defined benefit plan, labor unions, which claim that these changes would create greater risks for the employees, local government officials, who are also worried about the risks that such reform would create, and the State legislature, which is composed of a naturally resistant Democratic majority to Schwarzenegger's Republican Party, all stand in the way of the reform.

Without these key support groups, Governor Schwarzenegger will have a difficult time enacting pension reform. Part of the reason for these impediments may be that the

reform is not appropriately timed, or it may just be a weak reform idea. However, I will focus specifically on the Governor's problems or issues as a public administrator.

According to Cameron and Lavine (2006) it is essential, especially with difficult or complex tasks, to garner support from all parties affected by a given decision. It is clear in this case that the Governor has not reached out to everyone involved in this case. As a result he has faced a considerable amount of opposition, creating more of an up-hill battle for himself.

This is not a simple environment for controlled change. It is like trying to manage a controlled fire in a dry forest. The people, the geography, and the politics of California are very diverse. Lighting a match for pension reform is something that illuminates controversy. In order to address the foreseeable problems produced from such a change it is important for the Governor to not only be prepared for problems, but to also seek them out (Cameron & Lavine, 2006). By finding out the competition that he will be up against, he can better understand the wholeness of the issue and learn about as many potential solutions as possible.

Another reason for seeking out other points of view is to put some of the pressure on the constituents (Heifetz, 1994). It is important for a governor to be a leader and stand up for what she or he thinks is right. However, it is also important for a State of people and its government to be motivated to think and act. As a leader the Governor can get people's attention. In this case the opposing factions are aligned and ready to fight. Right or wrong it is important for public administrators to get individuals thinking before the politics distort the facts. There is much more work to be done here.

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