

## Mitchell's Musings 3/28/11: Pensions Suitable for Framing

Various organizations do polling in California on issues of the day. Two widely respected organizations are the California Field Poll and the poll taken monthly by the Public Policy Institute of California (PPIC). Both organizations recently issued poll results concerning public pensions, although the PPIC poll also included a broad range of other topics. The Field Poll to which I will refer below is at <http://field.com/fieldpollonline/subscribers/RIs2369.pdf> (released 3/17/11) and the PPIC Poll is at [http://www.ppic.org/content/pubs/survey/S\\_311MBS.pdf](http://www.ppic.org/content/pubs/survey/S_311MBS.pdf) (released 3/23/11).

The Field Poll press release carried the headline "MORE CALIFORNIA VOTERS NOW VIEW PUBLIC PENSION BENEFITS AS TOO GENEROUS. NARROWLY OPPOSE TAKING AWAY COLLECTIVE BARGAINING RIGHTS OF PUBLIC SECTOR EMPLOYEES. MAJORITY SUPPORT FOR A NUMBER OF PENSION REFORM PROPOSALS." [The headline was in caps.] The PPIC report, as noted covered a broad range of issues. When it came to the section on pensions, the headline was "MOST SUPPORT PUBLIC EMPLOYEE PENSION REFORMS." [Headline also was in caps.]

Let's start with the Field Poll results. Below is a table reprinted from the Field release:

<b>California registered voter views about the pension benefits received by most state and local government workers</b>				
	<b>Too generous</b>	<b>About right</b>	<b>Not generous enough</b>	<b>No opinion</b>
<u>Total registered voters</u>				
<b>March 2011</b>	<b>42%</b>	<b>34</b>	<b>14</b>	<b>10</b>
October 2009	32%	40	16	12
<u>Party registration (March 2011)</u>				
Democrats	32%	39	18	11
Republicans	59%	26	6	9
Non-partisans/others	40%	36	15	9
<u>Union affiliation (March 2011)</u>				
Union member in household	30%	45	20	5
Non-union household	47%	31	12	10

What you see on the table above are two alternative messages. On the one hand, the percent of California voters who think public pensions are *too generous* rose from 32% - when the question was previously asked - to 42%. But also note that 48% of voters think that public pensions are *about right* or *not generous enough*.

Given the agitation around public pensions in California (and elsewhere) over the past year or so, the rise in the "too generous" response is not surprising. Apart from well-publicized issues of underfunding, there have been scandals related to investments in the largest state pension plan, CalPERS. And, in the small (and low-income) City of Bell in Los Angeles County, there has been a highly-publicized scandal about key officials paying themselves exorbitant salaries which would produce proportionately large CalPERS pensions. (Some of these officials are now on trial.)

In the face of all the pension agitation and scandals that have occurred, however, it could certainly be argued that the surprising fact that 48% of voters viewed public pensions as “about right” or “not generous enough” could have been the headline. More voters thought that pensions were about right or not generous enough than thought they were too generous. What wasn’t surprising was that news media accounts followed the Field headline “MORE CALIFORNIA VOTERS NOW VIEW PUBLIC PENSION BENEFITS AS TOO GENEROUS.”

Note that the “more” in this headline refers only to *growth* in the too generous view. Someone quickly reading the headline could easily think that “more” meant that more respondents thought pensions were too generous as opposed to the percentage that were OK with public pension benefits or even thought they were too small. The headline in the *Sacramento Bee*, for example, was “Field Poll: Californians OK with unions but support public pension rollback.” (See <http://www.sacbee.com/2011/03/17/3481700/field-poll-californians-ok-with.html>) The headline in the *San Francisco Chronicle* was totally misleading: “Poll: CA public-worker benefits 'too generous.'” (See <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/03/17/BAMJ1D7A3.DTL>)

The Field Poll went beyond simple measures of pension generosity. Various options for pension modification were given to respondents. A majority approved *all* of the suggestions, as can be below and on the next page, save for one involving imposing higher taxes to pay for pensions.

**California registered voter reaction to various proposals aimed at dealing with the long-term financial obligations of public employee pension and health benefits**

	Total registered voters	Democrats	Republicans	Non-partisans/ others
Establish an upper limit or salary cap when calculating pension benefits of public employees				
Approve	73%	68	81	71%
Disapprove	20	24	11	24
Require state and local government workers to pay more each month for their pension and health care benefits				
Approve	69%	67%	77%	65%
Disapprove	26	31	15	31
Increase the minimum age at which public employees can receive pension benefits				
Approve	60%	54%	66%	65%
Disapprove	32	37	24	31
Reduce retirement benefits for new employees and for the future un-worked years of current employees				
Approve	58%	53%	70%	52%
Disapprove	37	44	24	40

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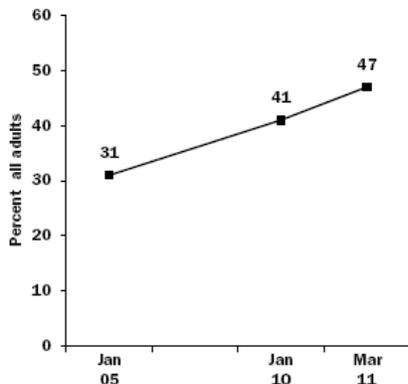
	Total registered voters	Democrats	Republicans	Non-partisans/ others
<hr/>				
Replace the current pension system for public employees with a new system that would combine 401k-style benefits with reduced guaranteed payments				
Approve	56%	50%	67%	52%
Disapprove	35	41	22	42
Give state and local governments the legal authority to modify existing pension agreements with their current workers				
Approve	52%	46%	63%	47%
Disapprove	41	45	31	46
Pass a temporary tax increase dedicated to building up the necessary funds for paying the pension and other retirement benefits owed to public employees				
Approve	26%	35%	14%	23%
Disapprove	67	58	77	72

*Note: Differences between 100% and the sum of each item's percentages equal proportions with no opinion.*

In effect, there seems to be a contradiction here; 48% of voters are OK with public pensions or even think they are too small. Yet every suggestion for trimming these same pensions is supported.

What about the PPIC poll? The release from PPIC leads with the chart below which emphasizes growing anti-pension sentiment among the general population. (PPIC results refer to the general population but sometimes break out voters.

**Percent Saying Amount Spent on Public Employee Pensions Is a Big Problem**



PPIC began polling on the pension issue in early 2005. At that time, then-Governor Arnold Schwarzenegger was in the process of putting on the ballot a series of initiatives in an effort he characterized as “the Year of Reform.” There was to be a pension initiative but because of a drafting error it was not put on the ballot (and all the other initiatives failed to pass). However, the January 2005 date is useful because although political aficionados in California were aware of the governor’s pension initiative, it likely was not widely known among the general public. The 31% figure, therefore, might be regarded as a baseline. That is, if asked about public pensions by a pollster, something like 30% of general respondents will always say they are a problem.

PPIC asked respondents about cutting back pensions as a solution to the ongoing (and severe) California state budget crisis. Note that the wording on the PPIC table below refers to the budget “this year.” That phrase is ambiguous. Does it mean the current fiscal year (2010-11) or does it mean the next fiscal year, about which budget deliberations are currently taking place?

**“As the state government looks for ways to balance the budget this year, do you think the state government should decrease the pension plans of government employees, or not?”**

	All Adults	Party			Public Employees
		Dem	Rep	Ind	
Yes, state should	53%	48%	69%	55%	28%
No, state should not	39	42	23	32	62
Don't know	8	11	7	12	10

Whichever it means, the fact is that none of the widely-discussed pension changes would have much effect on the immediate budget. The main issue is past unfunded liability. Even the most aggressive proponents of cutting back public pensions in California recognize that pensions of retirees cannot be legally cut. They also recognize that already-accrued pension benefits cannot be cut, although there is dispute about the degree to which new accruals for existing workers can be modified. What the respondents on the table above may simply be saying is that things should be cut to balance the budget, although they have no accurate knowledge of the relevant savings that would result.

Like the Field respondents, PPIC respondents react to suggested ways of cutting pensions by supporting them, as the table below illustrates.

**“Would you favor or oppose changing the pension systems for new public employees from defined benefits to a defined contribution system similar to a 401(k) plan?”**

	All Adults	Party			Public Employees
		Dem	Rep	Ind	
Favor	71	70	80	72	56
Oppose	16	16	12	17	31
Don't know	13	14	8	11	13

Note that the question above involves defined contribution vs. defined benefit plans. But the only definition provided is that defined contribution plans are like 401k plans. No one was apparently asked if he/she knew what

defined benefit, defined contribution, or 401k actually meant. Even those who have 401k type savings plans at work may not know that number, actually an arcane number in tax regulations, by heart.

Beyond definitions, what were the respondents to these polls really concerned about? When the state budget is suggested to respondents as something to worry about, over two thirds say it is a “big problem” in the PPIC poll, as shown below. If public pensions are then put in the context of the big budget problem, it is not surprising that cuts in those pensions are supported.

**“Do you think the state budget situation in California—that is, the balance between government spending and revenues—is a big problem, somewhat of a problem, or not a problem for the people of California today?”**

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
<b>Big problem</b>	68%	73%	88%	75%	83%
<b>Somewhat of a problem</b>	24	20	10	21	14
<b>Not a problem</b>	4	3	1	1	2
<b>Don't know</b>	3	4	1	2	1

However, none of this analysis gets to the depth of what is really bugging Californians. Are the respondents to these polls losing sleep about the state budget and public pensions? There is a pretty good hint in the PPIC poll that they are not. California has the second highest unemployment rate of any state in the U.S., over 12%. It had a disproportionate share of the housing boom/bust and the related mortgage/financial fiasco.

PPIC asks about the most important issue facing California. Fifty-three percent say “it’s the economy, stupid.” Only 14% of the respondents say it is the state budget. Even among presumably more politically aware “likely voters,” the figure is only 21%. So what is really happening here?

**“Thinking about the state as a whole, what do you think is the most important issue facing people in California today?”**

Top four issues mentioned	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
<b>Jobs, economy</b>	53	53	50	54	51
<b>State budget, deficit, taxes</b>	14	13	26	14	21
<b>Education, schools</b>	10	11	4	11	8
<b>Gas prices</b>	4	5	3	2	3

Undoubtedly, most Californians have some awareness of the state’s budgetary problems. But they really aren’t paying a great deal of attention to the details. What they are worried about is the state’s economy, not its budget. Still, if a pollster comes a-calling and asks about the state budget, respondents will say that the state budget is a big problem. But there may not be much depth of feeling or knowledge behind that answer. If the pollster goes on and suggests approaches (including pension cuts) that might be solutions to the big budget problem, respondents will tend to go along.

It has long been known that responses to poll questions are sensitive to framing. Neither PPIC nor Field is what is derogatively known as a “push-poll.” Both organizations are earnestly trying to sense public opinion, not make public opinion. But in doing so, they inevitably raise concerns among respondents about issues which those respondents have only limited or no day-to-day worries. If you were a respondent, how many “don’t know” answers would you want to give, particularly since the very act of polling suggests that the questions are about matters which you should be worried about and have knowledge about?

The bottom line here: Be cautious about poll results dealing with technical issues that are not day-to-day concerns of most folks. That caution should be applied, whether the polls are taken in California or elsewhere.