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## Dan Walters: Pensions, politics a deadly duo

By Dan Walters - Bee Columnist

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When then-Gov. Jerry Brown and the Legislature handed public employee unions their long-cherished goal of full collective bargaining rights three decades ago, they probably didn't intend that financing pensions and health care for government workers would become a major headache.

If we've learned anything about California politics, however, it should be that decisions by voters and politicians often have unintended, long-term consequences. And the looming crisis in pensions and health care for current and retired public workers could not be a better example.

At the time, extending collective bargaining to public workers was portrayed as merely giving them the same rights that private sector employees had long enjoyed. But, unlike those in private employment, public unions can often circumvent the traditional contract bargaining process by applying direct political pressure on those in charge of the public purse.

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That political factor mangles the arms-length theory of labor negotiations. Quite often, politicians who are negotiating and approving union contracts owe their very political careers to those same unions -- a phenomenon as evident in local governments and school districts as it is in the Capitol.

In the main, salaries have not been terribly distorted since politicians are constrained by the amount of money available to pay operating costs in any fiscal year. But in lieu of granting big pay raises, politicians and unions have steadily enlarged the array of pensions and other fringe benefits whose costs can be hidden and/or delayed indefinitely.

The city of San Diego is the poster child for such misconduct, having boosted city pensions to satisfy its unions without making any provision to finance the future costs, but what the city did is not unique. It got into legal hot water only because it lied about its pension obligations in filings on city bond issues. It's apparently all right to conceal pension costs from voters, but not from Wall Street bankers.

So how big is our pension and health care headache? Immense.

The Center for Government Analysis in Newport Beach, in a new study for the Howard Jarvis Taxpayers Foundation, says that state and local government pension costs nearly doubled in the six-year period ending in 2004, from \$5.1 billion to \$10.2

billion, but even so, the state's 130 public pension systems saw their unfunded liabilities grow even more. The study found that an actuarial surplus of \$14.5 billion in 1998 had become a \$50.9 billion deficit six years later. The Schwarzenegger administration has declared that the California Public Employees' Retirement System and the California State Teachers' Retirement System have \$49 billion in unfunded liabilities.

The Legislature's budget analyst has estimated, meanwhile, that the state also has an unfunded liability for retiree health care costs of \$40 billion to \$70 billion, and in addition to the \$1-plus billion the state now spends on retiree medical care, it needs to set aside up to \$6 billion a year for the unfunded liability.

The problem could grow worse as the huge baby boom generation begins to retire and takes advantage of the generous benefits that governors, legislators and local officials have extended, ranging up to virtually 100 percent pensions for police officers and firefighters.

So is anyone going to do anything about it? Schwarzenegger has appointed a commission to study the problem and make recommendations. But that merely indicates that he's gun-shy after seeing a pension reform proposal shot down in 2005 and knowing that unions would resist any changes in the status quo.

It may take a San Diego-like disaster to move this political ball.

#### **About the writer:**

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