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Taxpayers foot bill for generous pension benefits

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California cities already worried about possible funding cuts from the state will be hit with another big expense this year to fund employee pensions. A combination of the lagging stock market and overly generous public pensions mean taxpayers will foot an increasing bill for this public miscalculation.

The state Legislature increased pension benefits for state workers in 1999, with little notice. Soon city and county workers pressured their bosses for similar pension boosts, with the result that many agencies across the state opted for the higher benefits.

The benefits are far more generous than most of the private sector can ever hope to see. Public safety workers, for example, can retire at 50 and receive up to 90 percent of their last salary as a pension. The numbers are somewhat less for non-public safety employees, but still more generous than most private retirement plans.

At the time, the booming stock market gave the state's pension fund huge returns, enough to cover cities' entire obligation to the fund. CalPERS, the state's retirement system, even said that the higher pension benefits could be provided at no cost to taxpayers, because of the pension fund's stock performance.

Talk about a cloudy crystal ball. Three years ago, the amount taxpayers had to kick in to the pension fund was \$156 million. Now it's \$2.2 billion, and when the amount required for the state teachers' retirement fund – a separate system – is added in, the total exceeds \$3 billion.

That means less public money available for other public services, in a year when the state faces a deficit somewhere over \$30 billion. The governor proposes issuing \$1.5 billion in bonds to cover the increased costs for state workers' retirement – in essence, borrowing money to fund operating costs.

The problem may be even more troublesome for cities, which have fewer ways of dealing with the problem. Consider the numbers for Rancho Cucamonga: That city's retirement fund payments will jump by \$1.4 million this year, \$1.8 million next year and \$3.2 million annually thereafter. That's in a city with a \$45 million general fund. Other cities and counties that increased retirement benefits have similar problems.

It's easy to blame the problem on a sluggish stock market, or official misjudgment. But there's another side to the story, as well: the influence public employees unions wield in such decisions.

At the local level, particularly, unions play a major role in elections, providing endorsements, contributions and campaign support that candidates avidly seek. They have a vested interest in local elections in a way that many voters do not, and elected officials work hard to keep them happy.

Treating employees well is good business, of course, and no one believes that public workers deserve substandard benefits. But public pensions far more lucrative than the what private sector offers, paid for by taxpayers at the expense of other programs, raise this question: Whose interests are elected officials serving when they approve these deals?