

LA Coalition of County Unions' Blaine Meek in the LA Daily News: Scapegoating pensions is no fix for municipal budgets

By Blaine Meek

Posted: 08/09/2012 04:47:23 PM PDT

In ancient Greece, when famine or illness or invasion would ravage a town, the town's leaders would identify a beggar or a criminal and cast him out of the community in a symbolic removal of sins.

Of course, the beggar or criminal had nothing to do with the tragedy that had befallen the town. He was nothing more than a scapegoat. So too is the relationship between government employee pensions and a growing trend toward municipal bankruptcies.

Cities are pretty good at this. In years past, they have blamed their fiscal woes on the dot-com bubble, the housing market crash, state government and a general economic malaise. Now that three California cities have declared bankruptcy -- first Stockton, then Mammoth Lakes, and now San Bernardino -- the overly simplistic storyline is already emerging: blame pensions.

The only problem to that storyline is that it's inaccurate. Ed Mendel, a journalist who writes more thoroughly about California public employee pensions than any other, posted at his blog recently that a sharp spike in pension costs is not the reason an alarmed San Bernardino City Council voted last month to authorize filing for bankruptcy. He pointed out that pension obligations, as a percentage of a city's general fund budget, are far higher in other California cities than in the three filing for bankruptcy protection.

In fact, according to San Bernardino city officials, its pension costs for the fiscal year are \$1.9 million -- just 4 percent of its budget shortfall. That means even if pensions were eliminated entirely, San Bernardino would still have a \$43 billion budget hole.

San Bernardino's mayor -- the Stanford-educated former judge Pat Morris -- said the same thing: "The reasons for our dilemma are multiple and long enduring," he said. "They began long before the meltdown of our economy We have been living on the financial edge for a long, long time."

Why, then, are we allowing local politicians to blame pensions? That is, in effect, to let them off the hook for addressing the real problem.

Sure, pensions need some reform. All sides agree that some loopholes need closing that currently allow for a small percentage of public employees to abuse the system. For example, "spiking" one's salary in the last months prior to retirement in order to artificially increase the size of

pension payouts is unacceptable. However, that kind of abuse happens less than 2 percent of the time and is generally seen in upper management, not by rank-and-file public workers.

The average public employee in California retires with a modest \$26,000 pension. These are firefighters, teachers, police officers, bus drivers -- many of whom earn no Social Security at all, and so rely wholly on their pension for retirement.

What's more, these average working Californians have already made concessions, recognizing that cities and counties are under financial pressure. In more than 240 municipalities throughout the state, public employee labor unions have sat down at the bargaining table and agreed to concessions.

Another sensible reform to pensions would be to view them over the long term, rather than in snapshots that fail to give a true picture of their performance. Imagine if we all viewed our home values week-to-week rather than as a 10- or 20- or 30-year investment. Over the past 20 years, the California Public Employees Retirement System (CalPERS) has earned nearly 8 percent annually on its investments.

That indicates a sound system that is returning, on average, more than is necessary to fund pension obligations.

California cities shouldn't take clues from Greece's current economic crisis, and certainly should not take a page from ancient Greece's superstitions. Let's not let local elected officials use pensions as a scapegoat for financial mismanagement. Let's force them to identify and fix the root problems.

Blaine Meek is the chair of the Coalition of County Unions, which represents 37,000 public service workers employed by the County of Los Angeles.