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Runaway pension

City, state retirees get \$100,000+ per year

By Troy Anderson
Staff Writer

Thousands of retired public employees in California are getting \$100,000-plus pensions and the number will soar in coming years, squeezing government budgets and forcing cuts in services or higher taxes, according to experts and government officials.

The runaway costs of public employee pension contributions soon will double or even quadruple for many government agencies, including the city of Los Angeles, driven by investment losses, improved benefits and in some cases reduced employee contributions.

A Daily News survey of government pension data found 427 retirees in the California State Teachers' Retirement System have pensions paying more than \$100,000 a year, including 67 who retired from the Los Angeles Unified School District.

Six-figure pensions also are paid to 80 retirees in the Los Angeles City Employees' Retirement System, 84 former police and fire personnel in the City of Los Angeles Fire and Police Pension System and 816 in the California Public Employees' Retirement System.

Los Angeles County officials refused to divulge similar data.

"The pension and benefits for some of these government employees are outrageous," said Allan Hoffenblum, a Republican political consultant. "It's just what (the government unions) have negotiated with city councils, boards and elected officials.

"Gov. Arnold Schwarzenegger is trying to clamp down on some of this stuff in Sacramento. But you can't take pension benefits away. It's sacrosanct."

The highest pension is collected by former Sheriff Sherman Block's widow, who collects up to \$270,000 a year. Sheriff Lee Baca, the county's highest paid elected official at \$235,759 a year, expects to receive more than 95 percent of his salary when he retires. And a retired Los Angeles Police Department official collects a \$229,784 annual pension.

Taxpayers can expect to see more of these big retirement payouts for public employees, forcing more public dollars to go to retirement systems instead of public services, because of a surge in workers reaching retirement age and recent spikes in benefits.

"I couldn't run my business this way," said John Wall, 64, president of a Long Beach trucking firm who plans to retire soon. "I'm absolutely appalled."

Steven B. Frates, a senior fellow at the Rose Institute of State and Local Government at Claremont McKenna College, said more and more public employees will retire making more than \$100,000 a year, and an even greater number will retire with pensions equal to 80 percent to 90 percent of their pre-retirement salaries.

"That is alarming," Frates said. "Every dollar that goes to provide these lavish retirement benefits is a dollar that can't go into government services. It means either higher costs for services or lower service levels provided at more cost.



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"In essence, it means government becomes less and less efficient. As government absorbs more money and provides lower levels of service, the drag on the economy gets more and more acute. We are seeing that in California now. There is less money for taxpayers to buy things and more money for government employees to live very wealthy lifestyles."

Private versus public In the private sector, the number of retirees who actually receive pensions is diminishing and they collect 40-45 percent of their salaries in retirement. The median income of retirees in the United States aged 65 or older is a little more than \$19,000 a year, including Social Security benefits. Many government workers don't pay into or receive Social Security benefits.

State CalPERS retirees collect a similar average pension of \$19,128 a year while retired state lawmakers receive \$26,414 annually. These figures do not include Social Security benefits.

But the figures rise at the local level. The average pension for a retired Los Angeles civilian worker is \$26,000 a year, rising to \$40,788 for city firefighters and police. In Los Angeles County government, the average civilian retiree collects \$25,704 a year and county firefighters and sheriff's personnel take in an average of \$49,536 a year.

Government union officials stressed that the vast majority of government employees don't receive large pensions.

"We must be careful to distinguish between the relatively small number of public servants who receive large pensions and the vast majority whose pensions are modest – some can barely make ends meet in retirement," said Mark Tarnawsky, spokesman for Service Employees International Union, Local 660, which represents county workers.

"To do otherwise would be like characterizing the pensions of GE employees on the basis of Jack Welch's lucrative retirement package."

Roy Burns, president of the Association of Los Angeles Deputy Sheriffs, said the government and their employees negotiate the amount each will contribute to the pension plans, and public employees pay into their retirement accounts their entire careers.

"To be critical of anyone's retirement benefit after the fact is entirely unfair," Burns said. "Safety employees, deputy sheriffs and district attorney investigators pay a percentage of their monthly income so they and their families are secure for their retirement."

Ed Griffiths, assistant general manager of the city Fire and Police Pension System, expects only a modest rise in the number of six-figure pensioners.

"One of the things that contributed to the pensions was the approval by the voters in 2002 of a new tier in the pension plan that provided a 90 percent retirement after 33 years."

Robert Aguillo Jr., who heads the Los Angeles City Employees' Retirement System, said the city has resisted giving employees pension enhancements in recent years.

"I don't see it as a major burst in terms of an increase (in \$100,000 pensions)."

But critics of the system say it's putting taxpayers deeper into the hole.

"Rather than singling out any individual, all the pension plans for government have to be reviewed," said David W. Fleming, a San Fernando Valley philanthropist and civic leader. "And the reason is simple. In the city of Los Angeles, we pay more money out every day to people who used to work for the city than currently work for the city. And the hole just keeps getting deeper.

"All of those that are currently covered and vested in the pension plan would not be touched. However, I think it's important to slow down this trend by focusing on future hires. I don't begrudge people getting money in retirement. But I think any government system shouldn't be more generous than those in private industry."

Supervisor critical Los Angeles County Supervisor Zev Yaroslavsky is critical of the way the county spends money on pensions.

"The way we proposed to spend money on pension-spiking deals for certain employees, and to enhance pensions of highly paid employees while sticking it to the people who barely make minimum wage to me is hypocritical," Yaroslavsky said Tuesday at the Board of Supervisors meeting.

In an interview afterward, Yaroslavsky said public safety employees are pressuring the supervisors to approve a lucrative "3 percent at 55" pension enhancement that would boost their pensions significantly.

The term means the pension of a retiring sheriff's employee or firefighter is calculated by multiplying their years of service by 3 percent, instead of the current 2 percent at age 50 calculation. That number is then multiplied by the highest annual salary.

The supervisors agreed only a couple of years ago to reduce the percentage of pay sheriff's and fire department employees pay into their pensions from 10.5 percent to 7.5 percent.

"Any time you increase pension benefits for your employees, you also increase the amount of money taxpayers have to kick into the system," Yaroslavsky said. "And that means less money is applied to government services."

The numbers of six-figure pensions for the county were unavailable because the Los Angeles County Employees Retirement Association refused to provide them. The Daily News' request for the information under the California Public Records Act was rejected by the agency, which said it does not maintain a list of the payouts to retirees. Unlike other pension funds, officials refused to compile the list, saying it was not in the interest of the system or its beneficiaries.

As a result of the recession, stock market losses and pension enhancements in recent years, local and state governments expect they will have to double to quadruple contributions into employee pension funds in the next several years.

The city expects its contributions to the LACERS system to rise from \$121 million this fiscal year up to \$420 million in 2008-09. The county expects its pension contributions to rise from \$1 billion in 2002-03 to \$1.34 billion in 2004-05.

Watchdog groups also expect the \$100,000 retirees' club to grow because of a surge of highly paid workers nearing retirement age.

In state government, the number of current employees earning more than \$100,000 has grown fivefold since 1995 to more than 5,100.

At the Metropolitan Transportation Authority, the number of executives earning more than \$100,000 a year has doubled over the past two years to more than 100.

An audit in December found expenditures for retirement benefits in the Sheriff's Department jumped from \$46 million in 1997-98 to \$143 million in 2001-02, an increase of 214 percent.

Sheriff Lee Baca said there "definitely" are Sheriff's Department employees who will earn more than \$100,000 a year in retirement, but he said they had to contribute about 10 percent of their pay into the retirement system over the years.

"Let's say we reduce everybody's pension and go back to the theory that public employees are paid too much and get too much in retirement. Well, the answer to those fixes is that you won't be able to hire anybody that will work as hard as county employees do. They will say, I can go elsewhere and work with less strain.

"These pensions sound alarming on the face, but it's really not. The retirement plans across America invest more money in the private economy than any other single source."

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