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A massive giveaway

There are three ways to deal with liabilities caused by public pensions.

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One financial expert describes it as one of the most stunning transfers of wealth in human history, from the pockets of taxpayers to the pockets of government employees. What will it take to awaken the victims?

What's happening is that extravagant increases in pensions and other compensation of state and local government employees threaten to cause a wave of bankruptcies, tax increases and cutbacks in services. An analysis by the L.A. Daily News this week showed that California's largest public agencies face an increase of \$108 billion in pension costs compared to just three years ago. According to the Legislative Analyst's Office, that's a tenfold increase.

Steven B. Frates, a senior fellow at the Rose Institute of State and Local Government at Claremont McKenna College, says we are just beginning to see the effects of this giveaway. He says Californians will suffer greatly as a consequence; schools, roads, bridges, sewers, water systems and similar improvements will have to be curtailed because more money will get channeled into the huge retirement obligations.

The damage is close at hand, because a third of California and L.A. County employees are expected to retire within the next five years. (The percentage of federal employees is even higher, although their pension benefits are not nearly so rich.)

The first horror story is San Diego, which has not yet figured out a way to avoid a bankruptcy caused by spiked public pensions that created a \$1.4 billion unfunded liability. Even after those problems surfaced, Orange County supervisors jacked up pension benefits well beyond what the county could reasonably expect to handle in future years.

L.A. County alone has an unfunded liability of \$16 billion; the city of L.A. \$3.2 billion; L.A. Unified \$6.9 billion; and CalPERS, the state public employee retirement system, \$22.3 billion. Nationwide, according to the Wilshire Associates investment consulting firm, unfunded state pension liabilities are \$366 billion, which is double the estimate of just the year before.

In California, it is unfair to lump all pension problems together, because teachers, for example, have more modest pensions than state and local government employees, and also they pay eight times as much of the pension costs as Long Beach city employees. Also, L.A. city fire and police pension programs actually show a surplus, and L.A. County has done a better job than some in holding down pension costs.

Should taxpayers despair about what's being done to them? No. There are three ways to improve matters, at least for the future: Make government employees pay for the fattened pensions; implement two-tiered plans, so that future hires have smaller pensions; and start replacing government workers with contract employees who get salaries and pensions more like those of taxpayers.

And when should voters wake up to what's going on? Now would be a good time.