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Tuesday, April 11, 2006

## GUEST EDITORIAL: Let pension funds stick to pensions

Political campaigns usually bring out a few good ideas -- and a multitude of bad ones. One of the nuttier ones we've seen comes from California state Treasurer Phil Angelides, who is running for governor in the June Democratic primary against Controller Steve Westly.

On Monday he proposed that the California Public

Employees' Retirement System (CalPERS), and the California State Teachers' Retirement System (CalSTRS) "should invest \$15 billion in urban infrastructure to provide a reliable funding source as the state looks to improve its bridges and freeways," reported the April 4 Los Angeles Daily News. This would mean that the giant pension funds would "invest up to 5 percent of their assets in projects that generate income from bridge tolls and other user fees."

He has been critical -- as have we -- of Gov. Arnold Schwarzenegger's proposal to spend up to \$72 billion in general-obligation bonds on infrastructure improvements. And, obviously, there is a need for infrastructure improvements in California.

But state and local public employee pension funds exist for one reason: to maximize investment income to provide for retirees' pensions. The Angelides proposal is "an imprudent allocation of resources," Steven Frates, senior fellow at the Rose Institute of State and Local Government at Claremont McKenna College, said. "Pension funds are stretched, anyway, given the lavish awards that go to public employees. Using these funds in any way other than to pay the very rich pension benefits is very bad public policy."

He pointed out that, according to state law, if public retirement funds cannot cover retirees' guaranteed benefits, then the funds must be made up from the general fund - that is, from taxpayers.

As for toll roads and other infrastructure improvements, if they are good, solid ideas, private capital will be readily available to fund them. This is seen in the Trans-Texas Corridor, a \$7.2 billion toll-road network in the Lone Star State.

With California taxpayers already facing massive new costs to pay for retiree health costs for public employees, no more burdens are needed. Mr. Angelides should forget such gimmicks and instead find solutions that work for California.

The Orange County Register

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