

html
THE SACRAMENTO BEE sacbee.com

The State Worker: CalPERS approves huge pension reform

jortiz@sacbee.com

Published Wednesday, Apr. 17, 2013

For all of the political maneuvering over public pensions, you could argue the biggest reform hit on Wednesday, several blocks away from the Capitol dome.

Against the wishes of most public labor unions, the CalPERS Board of Administration voted to change a key accounting policy that will add billions of dollars to what the state, local governments and schools districts pay for pensions.

Yes, it's nerdy. And no, it didn't grab a lot of attention like the pension measures that lawmakers passed last year.

"But it's a thousand times more important," said Dan Pellissier, a former state employee and the face of the pension reform movement.

Last year's new pension law set lower retirement formulas and capped pensionable income, but only for members who joined on Jan. 1 this year or later.

It did nothing to close the gap between funds' assets and what they owe retirees. In CalPERS' case, it's at least \$87 billion.

In simple terms, CalPERS told governments it's time to pay off their pension credit cards.

CalPERS will shorten the "smoothing" period over which it spreads investment gains and losses from 15 years to five years and amortize them over a fixed 30-year period. Currently, it rolls them over annually, which avoids committing to fully funding the system by a specific date.

Those changes will trigger an increase in employers' rates of up to 50 percent over five years starting in 2015-16. The state's payments from the general fund, for example, will climb from \$2.3 billion this year to more than \$3.4 billion in 2019-20.

The new pension law passed in 2012 didn't touch those unfunded liabilities.

Pellissier and others in the pension reform movement for years have blasted CalPERS for its accounting methods and encouraging benefit hikes in 1999 that, along with 2008 market losses, caused the unfunded liabilities to swell.

But the issue didn't gain much political traction until CalPERS lost big in the housing and stock market meltdowns and its holdings fell to 60 cents every dollar promised to pensioners.

Last summer, unions hollered after lawmakers passed pension reform, although many observers suspected the protests were staged to help boost a tax initiative that Gov. Jerry Brown and unions wanted.

This week, aside from a few concerns respectfully aired at the CalPERS hearing, labor has fallen silent. They're in a tough spot. For years they've defended the board, which is mostly composed of Democratic, labor-friendly politicians and their appointees.

But hitting government with higher pension bills will make it harder to defend the benefit itself. And a dollar paid on old debts is one less dollar to expand programs and hire new unionized workers.


But the CalPERS policy isn't immutable. It's a product of the economic and political times.

And times change.

Call The Bee's Jon Ortiz, (916) 321-1043. Follow him on Twitter @thestateworker and read his blog, The State Worker.

© Copyright The Sacramento Bee. All rights reserved.

- Read more articles by Jon Ortiz

 Order Reprint