

GOLDEN STATE BLUES

California's Pension Crisis Has Arrived

The pension crisis in California is no longer just visible in actuarial projections; it is starting to show up in government workers' reduced benefit checks, which the state pension fund can no longer afford to pay in full. And the liberal-leaning *San Francisco Chronicle* editorial board has strong words for the feckless politicians, administrators, and union leaders who have brought it about:

For a small but probably growing number of California's government workers, the worst-case scenario is here: The failure to adequately fund public pensions is leading to devastating reductions in their promised retirement benefits. [...]

The decimated pensions are not only the latest of countless warnings to irresponsible officials. They're also a reminder that in the worst cases, government retirees, many of whom depend on modest benefits, face the brunt of the repercussions. Union leaders who would rather trade recriminations with officials than reach accommodations aren't serving such members well. The moral high ground is no substitute for a pension.

The situation in California highlights the convergence of factors that make defined-benefit pension plans so hazardous in the 21st century: First, uneven economic growth (in post-industrial towns with many retirees but shrinking tax bases, pension funds turn into Ponzi schemes); second, dishonest accounting (CalPERS has long been playing fast-and-loose with its projected growth rate and funded ratio); and third, powerful and well-heeled public sector unions, which are able to extort untenable promises from weak-willed elected officials to win temporary favor from their members.

Californians are now starting to bear the brunt of this dysfunctional system. How long before voters demand a change?

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