Report: Officials masked big pension hike

Pension debts are sky-high, but little interest at the Capitol

By Steven Greenhut (/staff/steven-greenhut/) 3:10 p.m. May 27, 2015

Campaign worker Nate Neuenschwander, left, watches election returns at a campaign party for No on Measure B in San Jose, Calif., Tuesday, June 5, 2012. As state and local governments across the country struggle with ballooning pension obligations, voters in two major California cities cast ballots Tuesday on sweeping measures to curb retirement benefits for government workers. San Jose Mayor Chuck Reed, a Democrat, joined an 8-3 City Council majority to put San Jose Measure B on pension reform on the ballot. (AP Photo/Paul Sakuma) — *AP*

SACRAMENTO — "There are two ways to be fooled. One is to believe what isn't true; the other is to refuse to believe what is true," wrote the 19th century Danish philosopher Soren Kierkegaard (http://en.wikipedia.org/wiki/S%C3%B8ren_Kierkegaard). It must be an enduring trait of mankind and especially of politicians, who often fool themselves (and the public) about major problems.

I'm referring to unfunded pension liabilities (http://www.pensiontsunami.com/) — the soaring amount of debt to pay for past pension promises to state and local public employees.

As Stanford University scholar David Crane wrote this week in the Capitol Weekly (http://capitolweekly.net/stock-market-soars-public-pension-costs/), "As the stock market reaches record levels, little is heard any more from public officials who used to blame market declines for rising pension costs." Those pension costs keep rising — and keep sucking more funds out of classrooms and local government agencies even in good economic times. The main point in his article revolves around the words, "little is heard."

In 1999, legislators passed SB 400 (http://calpensions.com/category/calpers/sb-400/), which retroactively increased pensions for the California Highway Patrol — and encouraged public-safety agencies across the state to follow. "Though that act amounted to the single greatest issuance of debt in state history, public officials chose an accounting method that supported a claim that the retroactive increases wouldn't 'cost a dime,'" he added.

How can state officials continue to use dubious accounting methods (http://www.gasb.org/cs/ContentServer?c=Document_C&pagename=GASB%2FDocument_C%2FGASBDocumentPage&cid=1176160140567) today, designed mainly to underplay the size of the pension debt?

A report released last month by the Marin County Civil Grand Jury (http://www.marincounty.org/~/media/files/departments/gj/reports-responses/2014/pensionsreport.pdf?la=en) provides a stark look at how such increases were quietly foisted on the public — and perhaps why the problem continues today. Many observers argue that what happened in that suburban Bay Area county was not an aberration. Simply put, Marin officials took extraordinary measures to hide what they were doing from the public, allegedly in violation of the state's disclosure rules.

According to the report (http://www.marinij.com/government-and-politics/20150417/marin-grand-jury-flays-pension-benefit-secrecy), the county's governments increased pension benefits 38 times between 2001 and 2006. Each time, agencies were supposed to provide public notice about the proposed changes, obtain actuarial reports detailing the future costs of the benefit hikes, and detail the degree to which the increases will affect the funds' financial conditions.

"The grand jury found that the public employers appear to have violated these requirements in a variety of ways — providing little, if any, notice to the citizens of Marin County that they would be responsible in the future for hundreds of millions of dollars in pension costs," according to the report (http://www.marincounty.org/~/media/files/departments/gj/reports-responses/2014/pensionsreport.pdf?la=en).

The hikes often were approved on the so-called "consent calendar" (by consent of council members without discussion) so that "even if members of the public were in attendance at the board or council meeting, they might not realize that a pension increase was being approved or not realize the financial impact thereof."

Marin officials echoed the approach of state officials, who quietly passed that landmark 1999 legislation without a full public airing. In his 2010 testimony before the state Senate (http://calwatchdog.com/2010/05/12/david-crane-rock-star/) regarding a proposed pension-reform measure, Crane said CalPERS claimed at the time that "no increase over current employer contributions is needed for these benefit improvements." Yet CalPERS recently boosted costs to local and state agencies by around 50 percent — and few legislators were concerned enough about the impact to seriously revisit pension reform — or look at ways to more thoroughly account for the level of debt today.

Former San Diego City Councilman Carl DeMaio, now active in an effort to bring a statewide pension reform measure to the 2016 ballot (http://www.utsandiego.com/news/2015/mar/18/pension-sacramento-reform-initiative-union-wrath/), said he's looked at the retroactive pension increases granted in San Diego since the passage of SB 400 and that unions and city officials took advantage of many opportunities to game the system. "It was part of a cookbook, a strategy," he said. "It's not just one jurisdiction." Union officials would share strategies and use the same language and the same approach in one city after another.

Activists from other parts of the state — from Orange County (http://www.ocregister.com/articles/pension-639019-public-club.html) to Mendocino County — tell the same story of a coordinated campaign to boost pensions, with as little public debate as possible. Whether other cities and counties did what the Marin County grand jury alleges, is unclear. But there's no question today's legislators have little incentive to properly account for — or even admit to themselves — a problem that will only make their lives more difficult.

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