Cities, counties face more heat on paying pensions

By Loretta Kalb, Sacramento Bee

The bill is coming due this year for local governments struggling to fulfill generous pension promises they made in better economic times.

Starting July 1, most cities and counties in the Sacramento region will need to step up their contributions to the California Public Employees' Retirement System, which administers benefits for their 14,000 employees.

These cash-strapped local governments will see their combined contributions jump by $26 million to a total of $200 million, a Bee analysis shows.

That's money that won't go to other services – such as police protection, recreation programs and senior centers.

The increase won't stop at $26 million, either. Higher CalPERS contribution rates are being phased in over the next three years and will remain in place for 30 years.

Today's situation is the reverse of a decade ago, when rich investment returns had boosted CalPERS' portfolio by $68 billion in just three years. When the fund proposed a plan to sweeten state retirements, it encountered scant opposition. By the end of 2000, local governments began adopting similar enhancements.

Now, thanks to a stock market meltdown, a housing free fall and thousands of job losses, local and state politicians are rethinking the retirement benefits approved then.

The Little Hoover Commission, a bipartisan government watchdog agency, last month calculated that the 10 largest public pension plans in California faced a combined $240 billion shortfall in 2010.

More than a third of that shortfall belonged to CalPERS, the commission found.

CalPERS has cited its 24 percent investment loss in 2008-09 as largely responsible for the higher contributions rates it's now charging local member agencies, along with longer life expectancies for retirees.

But some say that doesn't tell the whole story.

In El Dorado County, Auditor-Controller Joe Harn criticized CalPERS for not recognizing in the late 1990s that the strong investment returns wouldn't last forever.

"They gave reports to local agencies that you could increase retirement benefits and it will be very, very affordable," Harn said. "When the market jumped dramatically, they gave (local governments) relief from contributions."

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