

Governments consider cuts to once off-limit pensions

By Michael Cooper and Mary Williams Walsh, New York Times

When an arbitrator ruled this month that Detroit could reduce the pensions being earned by its police sergeants and lieutenants, it put the struggling city at the forefront of a growing national debate over whether the pensions of current public workers can or should be reduced.

Conventional wisdom and the laws and constitutions of many states have long held that the pensions being earned by current government workers are untouchable. But as the fiscal crisis has lingered, officials in strapped states from California to Illinois have begun to take a second look, to see whether there might be loopholes allowing them to cut the pension benefits of current employees. Now the move in Detroit – made possible, lawyers said, because Michigan's constitutional protections are weaker – could spur other places to try to follow suit.

“These things do tend to be herd-oriented,” said Sylvester J. Schieber, an economist and consultant who studies pensions.

The mayors of some hard-hit cities have said that the high costs of pensions have forced them to lay off workers: Oakland, Calif., laid off one-tenth of its police force last year after failing to win concessions on pension costs.

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