Detroit pension ruling could reverberate to Calif.

By Mary Williams Walsh, New York Times

The ruling by Judge Steven W. Rhodes, who is presiding in Detroit's bankruptcy case, that public pensions are not protected from cuts could alter the course of bankrupt cities like Stockton and San Bernardino, that had been operating under the assumption that pensions were untouchable.

Stockton's bankruptcy case, for instance, is further along than Detroit's, and until Tuesday it seemed likely to leave public pensions fully intact. Stockton sought bankruptcy protection last year and has already filed a plan of debt adjustment with the bankruptcy court in Sacramento. Its plan, which is subject to court approval, would leave city workers' pensions unchanged: They would continue to accrue benefits at the same rate as they did before the bankruptcy. (A new state law does permit Stockton to provide smaller pensions to workers hired after Jan. 1.)

That is a better deal than workers at bankrupt companies often receive. City leaders based it on the thinking that public workers had already sacrificed enough, given that the plan of adjustment already calls for them to give up contractual pay increases and valuable retiree health benefits.

Opponents of that plan have raised concerns that it would not save enough money. They point to the city of Vallejo, which spent three years in bankruptcy, emerged in 2011 without touching its workers' pensions, and is again having trouble balancing its budget. Many cities in California are struggling with pension costs because of a big benefit increase in 1999 that has been much more expensive than anticipated.

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