

Editorial: Pensions may not be sacrosanct in bankruptcy

Publisher's note: *This editorial is from the Feb. 18, 2015, San Jose Mercury News.*

Besides common sense, here's another reason cities and other government agencies should fully fund their retirement plans – and public employees should not count 100 percent on plans that are not fully funded today.

A federal judge's ruling in the Stockton bankruptcy case earlier this month was the wake-up call that public worker pensions in California could be altered in times of fiscal crisis. Retirement boards, government officials and public employee unions can head this off by fully funding retirement programs and, most important, setting salary and benefit levels that are sustainable. Otherwise, the outcome of a bankruptcy could be worse for public employees than it was for Stockton's workforce.

When Judge Christopher Klein upheld Stockton's plan to exit bankruptcy after nearly three years, he made clear that, although pensions were spared, they could have been on the chopping block.

He rejected arguments that California's Constitution and laws protect pensions from cuts in U.S. bankruptcy proceedings.

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