

Cracks appearing in public pensions' armor

By Mary Williams Walsh, New York Times

First in Detroit, then in Stockton, and now in New Jersey, judges and other top officials are challenging the widespread belief that public pensions are untouchable.

Gov. Chris Christie of New Jersey delivered the latest blow on Tuesday, when he proposed to freeze that state's public pension plans and move workers into new ones intended not to overwhelm future budgets or impose open-ended demands on taxpayers.

The first crack came in Detroit, where a judge ruled that public pensions could, in fact, be reduced, at least in bankruptcy. Then, just a few weeks ago, an opinion by the bankruptcy judge for Stockton, which emerged from Chapter 9 on Wednesday, called California's mighty public pension system, CalPERS, a bully for insisting in court that pension cuts were wholly out of the question.

Such dogma "encourages dysfunctional strategies," wrote the judge, Christopher Klein, chief judge of the U.S. Bankruptcy Court for the Eastern District of California. He said CalPERS's legal arguments were invalid, and he concluded that it lacked standing to dominate the courtroom discussion the way it had. Stockton did not even seek permission to freeze its pension plans, but the judge nevertheless wrote that it was entitled to do so and went on to cite steps that struggling cities in general should take to trim their pension costs legally.

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