

# California Commentary

## Public Employee Pensions: Sunshine at Last?

By Jon Coupal

Last week, this column talked about the explosive issue of public employee pension benefits and noted that, beginning soon, new rules would require government to account accurately for the future costs of those benefits.

Coincidentally, later last week, Governor Schwarzenegger announced the formation of a new commission to study public employee benefits and their present and long-term impacts on California.

The Public Employee Post-Employment Benefits Commission ("Commission") will have two major tasks; accurately accounting for the unfunded liability of, not just pension benefits, but retiree health care as well and, second, providing recommendations to state elected leaders on how to meet these obligations. The Governor has given the Commission one year to perform its duties.

What should ordinary taxpayers think of this Commission? Although it is too soon to tell, there is both hope and concern.

Let's look at the positive. First, any action that draws more public attention to this important issue is good. For years, taxpayer activists and the media have been sounding the alarm regarding the massive future costs we were foisting on future generations.

Even mainstream media, which is frequently perceived to have a liberal bias, has done a fair

job of exposing the scandals permeating our public employee retirement systems. Because these benefits compete with other government spending, it is no wonder that calls to fix the problem have been heard from all points on the political spectrum.

Second, there is undoubtedly a correlation between the Governor's regained popularity and the chances of arriving at solutions that have *real* meaning. The Governor's first effort in 2005 to tackle the problem of unfunded liabilities in our retirement systems was withdrawn because of a drafting ambiguity that allowed the unions to run a very effective campaign against it.

Third, the meetings of the Commission will be held in public. Undoubtedly, this will put even more sunshine on both the process and the substance of the Commission's work. Not only will California taxpayers get an eye and earful of information on the scope of the problem, but the motivations of the various stakeholders will become glaringly transparent. Ordinary taxpayers have a general sense that public employee retirement benefits are far better than their own. Now, they are going to see some real specifics.

A great deal of good can come from the Governor's idea, so what are some of the concerns?

First, we are skeptical of commissions in general. More often than not, the creation of a

For more information, contact: Kris Vosburgh, Executive Director

Howard Jarvis Taxpayers Association • 621 S. Westmoreland Ave., Suite 202 • Los Angeles, CA 90005 • (213) 384-9656

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commission is simply a means to defer resolution of a politically sensitive issue. Moreover, commissions are, in a way, an acknowledgement that our elected leaders have neither the skills nor political fortitude to confront an issue through the regular legislative process. Have not legislators proposed bills to deal with pensions and health benefits in the past? They have, and those efforts did not get very far.

So let's assume, for now, that the very failure to address this issue in the Legislature has spurred Governor Schwarzenegger to try another way — a way that might be perceived as less partisan. Taxpayers should reserve judgment for now.

But there is another concern. Who will serve on this commission? Governor Schwarzenegger has structured it so that he would select six members and the two legislative leaders would each choose three. Forgive our cynicism, but we doubt that Fabian Núñez and Don Perata are going to appoint individuals who have the best interests of *taxpayers* in mind. Both receive major backing from the very public employee unions whose benefits will be scrutinized. We would love to be surprised, of course, by good, taxpayer-friendly appointees from these leaders, but we are not holding our breath.

That means Governor Schwarzenegger must select his appointees very carefully. Six individuals with strong taxpayer, business, and accounting backgrounds are a *must*.

Lastly, it appears that the recommendations of the Commission will be nonbinding. This raises the question of whether the product of this one year effort will simply be another report that gathers dust on the shelf.

We hope not. We hope that all those involved — from the Governor's office, the legislative leaders, and the appointees — realize that

meaningful solutions to this massive problem are in *everyone's* best interests, especially our children to whom we will be handing the bill.

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*JON COUPAL is an attorney and president of the Howard Jarvis Taxpayers Association — California's largest taxpayer organization which is dedicated to the protection of Proposition 13 and promoting taxpayer rights. He can be reached through the Association's website: <http://www.hjta.org>.*

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