

ATTENTION: THIS TIME THEY ARE COMING AFTER YOUR RETIREMENT BENEFITS

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Jon Ortiz, April 29, 2015

Pension changers' new term: 'crowd-out'

The next buzzword in California's episodic public pension debate: "crowd-out." As in, "California Crowd-Out: How Rising Retirement Benefit Costs Threaten Municipal Services." It's the title of a new report issued by the conservative Manhattan Institute.

Leaders of the state pension-change movement, including former San Diego City Councilman Carl DeMaio and Dan Pellissier, president of California Pension Reform, earlier this month met at Sacramento's Sterling Hotel for a presentation by the report's author, Stephen Eide. DeMaio, a Republican, is teaming up with Chuck Reed, the Democratic former mayor of San Jose, on a yet-to-be-detailed pension overhaul for next year's ballot.

Eide writes that crowd-out happens when "retirement benefit costs grow at a rate above that of taxes, fees, and charges." Fewer cops on the street? Local park lawn a mess? Local library hours cut? Blame crowd-out, Eide says.

Sure, California's economy has rebounded. State government has a surplus. But cities, counties and schools statewide haven't seen the bounty, Eide writes, citing federal statistics that show local governments have added jobs and increased pay much more slowly than the private sector.

Now they face significantly bigger payments to the California Public Employees' Retirement System and the California State Teachers' Retirement System to make up for fund investment losses and pensioners' longer-than-expected lifespans. Stockton and San Bernardino foreshadow that "when the next recession hits, more municipal bankruptcies will come," Eide's report states.

Don't be surprised if pension-change advocates seize on the local impact angle. Previous attempts to put pensions to a statewide vote took shots at union influence (tough in pro-union California), highlighted pension fund shortfalls (an eye-glazing accounting debate) and blamed pensions for school cuts (hard to prove during the Great Recession's widespread slash-and-burn budgets).

But versions of the crowd-out message worked in San Diego and San Jose, where DeMaio and Reed both backed voter-approved pension rollback measures in 2012. Their message: Core city services are giving way to pension costs.

Unions want none of it. Cut pensions, they contend, and the quality of employees will go down just as if you slashed wages. Beyond that, pensions, like pay, should be settled at the bargaining table, the unions say.

That's why about 150 union pickets marched outside the hotel during Eide's presentation and chanted, "Pension busting! That's disgusting!" The show of organized force at what amounted to an informational meeting may be enough to keep potential initiative underwriters from cutting checks to Team DeMaio-Reed. Nobody wants to spend \$10 million, minimum, on a loser.

Or maybe this time, the reformers are onto something: turning a statewide ballot measure into a vote on local budget priorities.