

California pension fund in crisis

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A new report released by State Budget Solutions (SBS), which claims to use a more accurate methodology for tallying pension costs, would put a number of major California cities in deeper fiscal hardship. The new accounting procedure would more than double the unfunded liabilities held by CalPERS, the California Public Employees Retirement System, to \$328.6 billion from \$128.3 billion.

Los Angeles, San Francisco, San Jose, Azusa and Inglewood would fall to the level of insolvency Stockton and San Bernardino are at now. Moody's, the credit rating agency, had already published a list of 30 California cities it is reviewing for downgrade, which would raise the interest rate they must pay on borrowed funds.

According to the SBS report, Los Angeles' pension liabilities would jump from \$41 billion to \$64 billion, meaning they are only 50 percent covered by assets, down from 77 percent. San Francisco, previously thought to be able to cover 88 percent of its obligations to pensioners, can now only support 69 percent by the new methodology. San Jose, which made determined efforts in 2012 to slash the pay and benefits of its city employees, sits in the center of Silicon Valley, and ran a budget deficit for the past eleven years. It has \$4.5 billion to cover what is now calculated as \$7.5 billion in obligations, up from \$6 billion.

SBS is a non-profit organization which disseminates budget information on the problems of all 50 states. While they imply that the methodology behind the new numbers is superior to official numbers, they nowhere elaborate how or why. Along with data, they provide "solutions." These include pro-market austerity policies like financial incentives for testing-based teacher performance.

The exact size of the deficit is not really the central issue. Such framing of the debate is designed to obscure the matter. While corporations are making

record profits and the California state budget has turned a surplus from draconian cuts, workers are told that there is no money to pay the pensions they earned.

Even as California politicians and media commentators lay the blame for the state's crisis at the door of "overpaid" and "over-employed" public service employees with "bloated pensions", the state's essential services are under-staffed and underfunded.

Sensationalized reports, which dominate the media coverage of the issue, on retirees whose pensions top \$100,000 a year are cynical and misleading. In fact, only 3.7 percent of the state's pensions exceed \$110,000 and only 1.6 percent exceeds \$132,000, the new cap established in the reform. Furthermore, a pension is the only source of income for most retirees.

Public sector workers in California have already been the subject of relentless attack. A purported reform of the pension system was passed by the state legislature last September which raised the retirement age from 55 to 67 for public employees. New workers will pay half of their pension contribution out of their own salary, and the law stipulates that the same requirement be laid on current employees within five years' time.

The scapegoating of public workers and retirees cannot stand up to any rational inquiry. A comfortable retirement for city and state workers is not the force driving the state's insolvency. California—home to dozens of billionaires, enormous corporations, some of the most productive farmland in the country, and the site of development of some of the world's most advanced technology—is uniquely wealthy. With the the property of the richest segment of the population becoming ever more inviolable, California cannot hope to fund its obligations. Governor Brown has made clear that his solution is simply to reduce or destroy them.

The state has recently pushed its budget into the black for the first time in years, on the basis of draconian austerity and assaults on the working class. The

attention given to “unfunded liabilities” in the corporate media is in line with this social counterrevolution.

While it is the largest public pension fund in the US, as an investment fund, CalPERS has the same means and ends as all other profit-making firms. Its capital—the retirement savings of California’s public workers—is gambled on the stock and bond markets for returns that in recent years have not materialized. In fiscal year 2012, the fund made only a 1 percent return on its assets, while expecting 7.75 percent. It lost outright around \$23 billion in the financial crash of 2008.

When this capital cannot provide adequate profit, and CalPERS’ balance sheet dips into the red, the unquestioned prerogative of Wall Street is to raid workers’ pensions to fill the gap.



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