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# ***California pension plans lose luster***

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Pension reform is more urgent than ever. Every postponement of essential reform only makes more Draconian the decisions that will have to be made at some point in the near future. This is true even though a major initiative effort by the group California Pension Reform was dropped this month because of a biased title and summary written by state Attorney General Kamala Harris.

A new study by the libertarian Cato Institute examined the financial soundness of all 50 state pension programs over the past decade. "State and Local Pension Plans: Funding Status, Asset Management and a Look Ahead," is by Cato senior fellow Jagadeesh Gokhale, who also is a member of the federal government's Social Security Advisory Board.

Surprisingly, Mr. Gokhale found that a decade ago California enjoyed one of the nation's most financially sound state and local government pension systems. Along with Florida, Arizona, Pennsylvania and Delaware, the Golden State boasted a gold-plated "actuarial funding ratio" above 100 percent. In 2001, California's actual AFR was 109.4 percent. That meant taxpayers were not on the hook to pay for any shortfall.

Unfortunately, by 2009, California's AFR had fallen to 83.5 percent. Although 2009 was the last year for which full numbers could be used, the modest economic recovery since then has not changed the basic problem. No wonder taxpayers are pumping \$3.5 billion into state pensions from the general fund during the 2011-12 fiscal year, which ends June 30.

Mr. Gokhale told the lagging economic recovery "is going to increase the challenge for funding pensions in the future. It's a challenge for all legislatures, even in good states." He said state legislatures and local governments always have to balance spending on current needs with meeting pension requirements. "Because of worsening budgets, that balancing act has become more of a challenge," he added.

Gov. Jerry Brown's 12-point pension reform plan this past week received support from most Republicans in the Legislature. "Today, we are stepping up to the plate, showing Republicans are united behind the governor's plan," announced Republican Assembly Leader Connie Conway of Tulare. "Now, it's up to the governor to get the Democrats on board."