

Holding County Pension Funds Accountable

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“Op-Ed” – “Guest Viewpoint”

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Mendocino County’s Unfunded Pension Debt – The Result of Rewarding Failure

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This is the first of 3 articles about Mendocino County’s unfunded pension debt.

A huge irresponsible unfunded pension debt has been imposed on Mendocino County over 25 years. Twenty-one California counties have independent Pension Funds. Ours is the most damaged by unfunded pension debt. County taxes are increasingly diverted to pay this debt. County services, roads, and jobs are being destroyed. It’ll get much worse.

Through last year almost \$300 million of unfunded pension debt has been created. Nearly \$2/3 Billion will be extracted from taxpayers through 2040 to pay it. More than half will be interest expense. It won’t produce one minute of public services, won’t fill one pothole.

And the Pension Fund continues to produce more debt. Why?

The County Board of Supervisors and unions generally set what retirement benefits will be in collective bargaining agreements. An independent Retirement Board that controls the Pension Fund establishes the plan to pay for them. This includes an annual amount paid into the Fund called the “Normal Contribution”. The County and employees each pay a share. The Retirement Board says that Contribution and investment profits are all they need to pay pensions. But their “plan” failed. They created hundreds of millions of unfunded pensions. Unlike the Normal Contribution only the County has to pay extra to eliminate it. Employees and retirees have no such obligation.

This is simple math. The Retirement Board set the Normal Contribution too low. It should be about double. This isn’t an accident.

State law directs there will be 9 Retirement Directors. Three public members are appointed by County Supervisors. But of those three today only one never worked for a local government. County retirees and employees elect four from their ranks and two are elected County officials who are also employees. These 6 believe their primary duty is to their peers who put them on the Board. They want employees to pay less for their pensions, retirees to get more benefits, and County officials to have more money to spend the following year.

Dozens of the Retirement Board’s actions over decades delivered those goals. But they paid for them by exercising their unilateral power to impose unfunded pension debt. They didn’t care about the impact on taxpayers, residents, and future employees and officials. So far they’ve transferred nearly \$300 million from taxpayers to employees and retirees behind the public’s back. They’re still doing it.

As long as this perverse incentive that rewards the creation of debt resides in this unaccountable Retirement Board they will impose more debt. You don’t get success by rewarding failure and holding no one accountable.

Retirement and County officials want credit for acting better and making some good changes. OK – they are and have. But they’re nibbling around the edges of this deeply flawed system that will eventually destroy itself – and much of County government with it - by creating so much debt it can’t be paid. Officials refuse to recognize this core threat much less do anything real to stop it.

Laws were broken. Policies to placate the public were passed then ignored. Financial reports were rigged. Decades of reckless financial management went unchallenged.

At first I thought officials did this on purpose because it was so obviously wrong. But then I read the “Kroll Report” about the City of San Diego’s unfunded pensions. This quote from that report exactly applies to our County.

“While this conduct was plainly unlawful, the evidence does not demonstrate that officials set out with the objective of defying legal mandates. ,, Officials fell prey to the same type of corruption of financial management and reporting that afflicted municipalities such as Orange County and private sector companies as Enron. ...Officials cultivated and accepted a culture of financial management and reporting premised upon non-transparency, obfuscation, and denial of fiscal reality. Under the pressure of short-term needs, officials gave expedience a higher priority than fiscal responsibility and came to view the law as an impediment to be circumvented through artful manipulation.”

This is not a partisan issue. It’s about Good Government. No matter what your politics are We the People of Mendocino County are all now simply debtors forced to pay nearly \$2/3 Billion for this debt that isn’t supposed to exist. What would you have wanted our \$648 Million to do? Whatever it is – kiss it goodbye.

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