

Editorial: Tick, tick tick

Sac County has a pension time bomb

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Sacramento County supervisors may grumble about it, but they have no choice but to approve a \$40.6 million increase in pension contributions today, as recommended by the Sacramento County Employee Retirement System Board. The increase will be spread over the next two years. When added to normal payroll increases and other annual adjustments, the county's contribution to its pension fund will jump 27 percent, from \$99.5 million this fiscal year to \$126.5 million next year.

That does not include the debt service on \$953 million the county has borrowed over the last 10 years to help pay its pension obligations. Debt service on pension obligation bonds will cost the county another \$22.4 million next year, an amount that is projected to increase to \$88.2 million by 2009.

The big share of this year's increase is attributable to a decline in anticipated retirement fund investment earnings. The county's actuary has tracked other costly economic and demographic changes: Pay increases have been more generous than anticipated; employees are retiring earlier; they are more likely to be married and they and their surviving spouses are living longer; and, finally, more employees are converting unused sick leave into salary, which is used to compute retirement benefits.

County Executive Terry Schutten strongly disputes the assumption that the retirement fund will earn less than originally anticipated. He has recommended that the county seek a second opinion.

Jim Diepenbrock, the president of the retirement board, defends the earnings assumption, calling them prudent and conservative: "The county has increased benefits. We've had to put a price tag on those benefits and the county's not happy with the price tag."

Taxpayers aren't likely to be happy with the price tag either. Total pension costs this year will be \$148.9 million, 6 percent of the total county budget. That percentage is growing at a furious pace. That ought to worry county residents and their elected officials. Taxpayers and officials should worry, too, about the county's proposal to follow the lead of CalPERS and adopt pension "smoothing" techniques, which have contributed to the current crises in some large private-sector pension funds.

That's a topic for another day. Today's vote of the supervisors is a foregone conclusion, but this issue will be with Sacramento County taxpayers for decades.