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From the Los Angeles Times

CalPERS plan to spread out losses is OKd

The pension system's board agrees to temporarily ease payments for schools and local governments.
By Marc Lifsher

June 18, 2009

Reporting from Sacramento — Despite opposition from the governor, the board of the state's biggest pension fund Wednesday approved part of a controversial plan to temporarily ease pension payments for schools and local governments by spreading this year's deep investment losses over the next 30 years.

The California Public Employees' Retirement System board also voted to put off until September a decision on whether to do the same thing to employer pension contributions paid by the state government.

Prior to the vote, Gov. Arnold Schwarzenegger had complained in a letter to board members that deferring pension contributions amounted to "gambling" that future investment earnings by the fund, known as CalPERS, would grow fast enough to meet retirement obligations of state and local government workers.

CalPERS holdings, currently valued at about $184 billion, have plunged more than 20% since last summer. Without Wednesday's action, cities, counties and other public entities around the state would have been hit with large increases in their CalPERS contributions next year.

So-called smoothing of the losses means that the increases in 2010 and 2011 would be smaller, saving cash-strapped governments millions of dollars in the short term.

The fund's chief actuary, Ron Seeling, defended the tactic as a prudent one to deal with the fallout from an extraordinary global economic crisis. "We're not trying to put this off to the future," he said.

Seeling said he hoped that talks with the Schwarzenegger administration over the next few months would make that point clear. In the meantime, the 2,000 cities, counties, school districts and other public entities that participate in the CalPERS program would have the certainty of knowing what their contribution rates would be two years from now, Seeling said.

Getting some measure of financial assistance is crucial because huge budget deficits are forcing local governments to cut services and lay off workers, said Lori Ann Farrell, chief financial officer for the city of Long Beach, the third-largest CalPERS participant.

"Quite honestly, we need your help," Farrell told the CalPERS board, noting that the city's current $19.2-million deficit is projected to rise to $75 million over the next three years.

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