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Pension lunacy

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Public agencies in California should be working to get future pension costs under control, not inflating already unaffordable benefits. Yet the Metropolitan Water District is weighing a new labor agreement that includes a 25 percent boost in pensions. The district should reject the contract.

The pension increase is part of a new five-year deal the board is slated to vote on Sept. 15. The pact would raise annual retirement payouts from 50 percent of salary to 62.5 percent at age 55, boosting pension obligations by $70 million. The contract also includes pay raises after a one-year freeze, and $21 million in labor savings.

This agreement, approved by the district's four unions last month, is stunningly out of touch with the times. The district is a consortium of local water agencies, including several in San Bernardino and Riverside counties -- an area that has absorbed a succession of financial blows in the past two years. Workers in both the public and private sectors are facing layoffs, forgoing raises, taking unpaid furloughs and accepting pay cuts. And the water board would add to these residents' burden -- in perpetuity -- for the pressing public purpose of ... padding pensions that already dwarf any retirement perk that private-sector workers can expect?

As it is, pensions at public agencies throughout California are far too generous. Just last month, Ron Seeling, the chief actuary for the state retirement system, CalPERS, dubbed current pension costs "unsustainable." Seeling called for new ideas for pension finance, but hiking payouts by 25 percent is not likely what he had in mind.

A spokesman for Metropolitan says the contract's cost savings balance out the higher pension costs. But this is a poor and expedient trade-off, at best: $21 million does not offset $70 million, and the savings would be subject to renegotiation when the economy improves. The pension promises, on the other hand, would be preserved by law.

Perhaps more fundamentally, neither the district nor area ratepayers can afford the pension boost. The district's pension fund is $405 million short of what it needs to meet existing retirement obligations. The district already raised its water prices 20 percent this year. And water costs will only trend higher, given the state's prolonged drought and court-ordered cutbacks in water deliveries from the Sacramento-San Joaquin Delta -- the primary conduit for water exports to Southern California. As a bonus, any solution to the environmental ills that hinder those exports will push ratepayers' costs yet higher.

Given these dynamics, the board should do what it can to keep costs down -- not create new long-term spending obligations. Water officials have asked consumers to pare back and conserve, and properly so. It is time, however, that Metropolitan and its workers did some conserving of their own.