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New myths and distortions about public pensions from a failed Governor

Los Angeles, April 19, 2010 – In his latest weekly video address California Governor Arnold Schwarzenegger has once again stepped up his rhetoric with myths and distortions about public pensions. The Governor engages in fallacious thinking and compares the current pension situation to Enron and AIG. He says he has a plan for “comprehensive reform” and calls on people to call their elected officials and demand action.

“There is an old saying that ‘statistics never lie but liars use statistics.’ In a recent speech, Governor Schwarzenegger read the scripted lines given to him regarding pension funding like a polished “B” grade actor, and aptly demonstrated the underlying truth of the saying”, said Marshall McClain, President of the Los Angeles Airport Peace Officers Association.

“In his brief “speech”, the Governor spun the truth in a way that would have made “Baghdad Bob” blush in awe. First, the Governor made the outrageously false statement that California pension systems have used “accounting tricks and unrealistic assumptions” to hide the true liability of the pension system. The source for this claim - a “study” that he funded and dreamed up by his hatchet man on pensions, David Crane,” added McClain.

The Crane study decided that the rate of return that pensions use to measure liabilities and which the funds had met for the past 20 years was too high. “The study cut the rate of return by nearly 50%, and then used this absurdly low rate to re-measure the unfunded liabilities, which naturally soared. The use of this study to accuse California pension funds of “accounting tricks” brings to mind yet another phrase - the pot is calling the kettle black,” said McClain.

In the remainder of his short script, the Governor repeated yet another manipulated statistic conjured up by hatchet man Crane. “The Governor read without pause the line that state pension costs have gone up “2,000%”. What the Governor did not mention, either by deliberate omission or because he was simply unaware, was that Crane cherry picked 1999 as the starting point for this claim because it was the lowest amount in decades into CALPERS. The \$156 million paid in 1999 was far lower than previous years, as investment returns allowed the State to take a pension holiday in annual payments to CALPERS. In 1996, for example, the State contribution was \$1.2 billion. There is a reason that Governor Schwarzenegger suffers from a 23% voter approval rating, as low as Governor Davis before he was recalled. Voters have evaluated his leadership, and found it to be sorely lacking. His latest foray of deception regarding pension funding, where his wild claims are easily refuted, certainly will do little to enhance his already tarnished image, said McClain.

“It is interesting that the Governor omitted critical information that gets to the heart of the pension problem for the state. For a number of years, California took a contribution “holiday,” adding little or nothing to the pension system. In 1996, the state contribution to pensions was \$1.2 billion; by 2001, it had dropped to \$156 million. During those years, the “pension reformers” of today remained silent as the government shirked its pension obligation, helping to create the current situation. Using the state’s public pensions in a shell game to create the illusion of fixing the state budget is not just deceptive -- it is fiscally irresponsible,” concluded McClain.

You can view the Governors “True Lies” at <http://www.youtube.com/user/GovSchwarzenegger#p/a/u/0/b-2q9QXrelU>

The Los Angeles Airport Peace Officers Association represents more than 425 sworn police officers and firefighters of the Los Angeles Airport Police Department assigned to protect and serve Los Angeles International Airport (LAX), LA/Ontario International Airport (ONT) and Van Nuys Airport (VNY). Its Mission is to maintain a leadership role in organizing, empowering and representing the interests of all current and retired members.

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