

BLUE MODEL MELTDOWN

Blockbuster NYT Report Exposes Public Pension Charade

America's public pension funds, which manage trillions of dollars in retirement assets for millions of civil servants, are systematically deceiving taxpayers, the politicians, and municipal bond investors with elaborate accounting sleight-of-hand. The "official" numbers show that public pension funds are struggling; the accurate ones show that the looming fiscal time bomb is so explosive that it may be impossible to defuse.

That's the thrust of an important new piece from the *New York Times*' Mary Williams Walsh, a reporter who has done more than anyone else in the mainstream media to bring this issue to public attention, and to provide honest and analytical reporting about one of the country's most serious problems:

It turns out that Calpers, which managed the little pension plan, keeps two sets of books: the officially stated numbers, and another set that reflects the "market value" of the pensions that people have earned. The second number is not publicly disclosed. And it typically paints a much more troubling picture, according to people who follow the money. [...]

The market-based numbers are "close to the truth of the liability," Professor [William] Sharpe said. But most elected officials want the smaller numbers, and actuaries provide what their clients want. "Somebody just should have stopped this whole charade," he said.

Kudos to Walsh, and to the *NYT* for that matter, for pushing a story that discredits some of the most important assumptions behind blue model governance. The truth is that many American state and city governments are not paying their way, pension systems are not sustainable, and the conflicts of interest linking politicians to public sector union leaders are a dangerous and deeply destructive force.

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