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**Vanguard**  
News Service Vol V  
Week of April 25, 2010  
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**SPECIAL EDITION – REALITY VS. FANTASY**

**Vanguardians Purpose:** To Inform, Educate, & Motivate for Involvement, Engagement & Advocacy

**COMMENTARY: PENSIONS - THE LIES THAT KEEP ON GIVING**



Glendale's pension bubble has finally burst into the public scene. Thanks to an exposé by the Glendale News-Press we now find a whole new level of public awareness on a hidden burden that has been crushing the city's budget. But does this exposé tell us the whole story?



This story, as viewed through the eyes of the city manager, is shockingly refreshing. It sets a higher level for candid interviews with the city's leadership, but it falls short on truthfulness. It allows us to peek inside the workings of city unions, the city council, the budget preparation, and the Comprehensive Annual Financial Report (CAFR). It allows us to see the fraud and abuse.

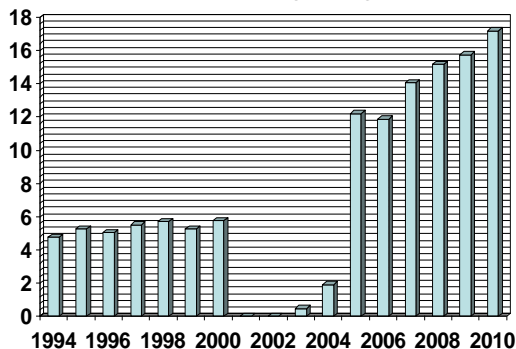
The report by Melanie Hicken of the Glendale News-Press is, in many ways, a watershed moment for the GNP in reporting candidly on the city's finances. But anyone reporting on the real financial trends of the city would be at the mercy of the senior staff of the city government. If the councilmen themselves (that included a CPA) can be deceived into a massive pension obligation, a young reporter would be putty in the hands of seasoned city bureaucrats.

The report by the GNP is partially correct. But we can't blame the GNP. Ms. Hicken reported that the city had a zero or nearly zero contribution payments for the years 2000, 2001 and 2002. Those figures are corroborated by the city budget. But it is the budget that helped perpetrate the big lie in the first place. To find the true contribution numbers, we need to look at reports that are corroborated by outside auditors – The Comprehensive Annual Financial Report.

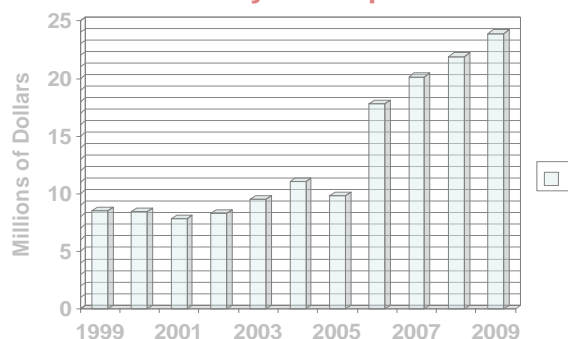
In 2001, the city council members were given a document prepared by the city management – the budget - that showed current and future pension obligations at zero. In my interviews of past council members, I found out that the city unions, armed with those budget figures, pressured, cajoled and with veiled threats pushed the city council into accepting the huge changes to the pension system.

Pension Expenses as Reported for the Budgeted General Fund (in millions)

What was presented during budget study session:



Glendale's Actual Annual Pension Contribution What Really Was Spent



But the budget figures were unmitigated lies and deceitful by any standard. The pension figures on the budget were a complete fabrication. **The city council made one of the most significant long-term obligations in the city's history based on false and misleading information.**

The CAFR shows that the city's actual pension contribution paid to CalPERS for the year 2000-2001 was \$7,832,000. not \$37,500 as was reported by the GNP as the average pension for that year. For the following year, in 2002 the payments were: \$8,292,000 and in 2003 \$9,494,000. For 2004 the payments had grown to \$11,054,000.

How did the councilmen miss this huge discrepancy? Why did the budget show nearly zero when the CAFR laid bare the untruthfulness of the budget by such a huge difference? The problem lies in the financial evaluation process. The city has a BUDGET study session, not a CAFR study session. The budget is fiction and hopeful projections. The CAFR, on the other hand, is corroborated on actual source documents by an outside auditor.

The city unions with the collaboration of the city management needed a momentous law passed that would guarantee millions in retirement pay to each long-term employee who could be expected to earn over \$100,000 per year. Once the pension for fire and police unions was secured, then it would be only a matter of time for the other managers to get in on the pension caravan by securing for themselves huge increases as well. They first needed to form their own employee negotiating entity - The Glendale Management Association (GMA.) They now wanted to join the chorus.

The mantra or chant given by the city unions to the council members was relentless, "It will cost the city nothing." But what the city councilmen did not understand is how CalPERS really works. The city guarantees the financial return on investments of this pension giant. If CalPERS insiders defraud the agency, or if there is collusion, fraud, abuse, or exuberant optimism, the taxpayer gets stuck for the shortfall of the investments.

CalPERS has been anything but prudent with those investments. We have just found out that they were defrauded by Goldman Sacks. They've been defrauded by the very same police and fire department retirees who've claimed unwarranted disability retirements. They've been defrauded by investor insiders. It's all there in countless documents you can find on the Web from the agency itself and major newspaper investigative stories.

The taxpayers and residents of Glendale have been the victims of a massive insider fraud. The councilmen were simply not educated enough in matters of city finance to understand what they agreed to. They too were defrauded and misled.

Anyone familiar with contract law can tell you that any agreement based on fraud and deception cannot sustain a solid challenge in a court of law. As such, the city council must rescind the pension changes it made in 2001 and 2005. But the city council must do much more. It must recoup all the tens of millions of dollars it paid to CalPERS as a result of the fraudulent pension changes. The city unions must pay that money back.

What the GNP did not report was the relentless gimmicks that city insiders play in rigging their last year's paycheck. That is the paycheck upon which their future pensions are based.

There is only one real answer to resolve this huge problem permanently and inoculate the taxpayers. The city must rescind the defined benefit pension agreement – the guaranteed pension amounts – and turn instead to a defined contribution. The maximum contribution to which the city should agree is 7.5% of the base pay of the employee. Nothing more. Anything else would be subject to insider manipulation.

Let the employee organizations deal with CalPERS if their investments tank. Let the unions pay for the oversight when CalPERS ventures into failed investments and their own fraudulent practices. If any employee feels that they can get a better deal elsewhere, I'll gladly help in showing them the exit door. I am positive that we can find hundred of truly competent hires who'd love to get an overpaid salary in an environment free from layoffs.

We taxpayers have had enough of the bare-knuckle tactics by the city employee union leadership. They may wish to continue to play on the image of their uniform to ransack the city's treasury. But we are on to their nasty image game. They've damaged our quality of life, and they are sinking the city finances into bankruptcy. Enough already!

This whole new self-reflection and candid openness by the city management is simply subterfuge and bald-faced misdirection. The city managers and their city union buddies want to preserve for themselves the fruits of this pension fraud, but allow for the pension changes to future hires. They want a two-tier system. They, themselves, want to retire earlier on their multi-million dollar pensions while sticking it to the taxpayers for decades to come. They now want to proclaim themselves as prudent by suggesting that new city employees who want to get in on the action are simply too late. The gravy train has left the station.

We should never accept for city employee unions to get away with their ill-gotten gains. What if the city council wants to continue to play along with the employee unions and won't redress the damage? Then by God, we must recall the whole lot of them and throw out the top city management along with their dirty laundry.

If we can recall a sitting governor, we can certainly recall three sitting councilmen. **HERBERT MOLANO**

**Monday morning at 10 AM you should weigh in on your future in Glendale as a City Council Budget Study session will be held in room 105 of the Municipal Services Building at the corner of Broadway and Glendale.**

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