Other voices

CalPERS needs to reduce pension risks

Despite changes over the past three years to pour more money into the nation's largest retirement system, CalPERS still faces unacceptable risk of serious funding shortfalls during the next major market downturn.

That's why the agency should move aggressively to reduce the danger that funding for 1.7 million workers' and retirees' pensions could drop to precariously low levels, requiring extra cash infusions from state and local governments when they could least afford it.

While most CalPERS board members understand the need for aggressive action, some worry about the "optics" of the system's fourth major adjustment in as many years. It's time to put politics aside and protect hard-earned pensions.

"If we don't mitigate the risk," says CalPERS Chief Actuary Alan Milligan, "and we get the bad side of the risk equation handed to us by the markets, then we may be truly in a position where, can we even get out of that situation?"

To understand his concern, consider the advice individuals receive that they shift to less risky investments as they near retirement. The same principle applies to pension plans.

CalPERS' members are rapidly "maturing," from a 2-1 ratio of workers to retirees in 2000 to a projection of less than 1-1 by 2025. Accordingly, CalPERS should be moving assets to less-risky investments.

The Great Recession highlighted the vulnerability: In 2007 CalPERS had 101 percent of the assets needed to ensure, after investment returns, it could pay pensions workers had already earned. Then, in just two years, the funded ratio plummeted to 61 percent.

Today, a similar drop would be even worse because the system is only 77 percent funded, a starting point much lower than in 2007. Moreover, there are fewer active workers contributing to the system and more retirees drawing from it.

Making matters worse, a decline in assets means fewer funds on which to earn investment returns. The downward spiral can lead to what CalPERS Chief Investment Officer Ted Eliopoulos calls a "crisis" point.

"We want to avoid the plan reaching a 50 percent funded level or less," he says. "It's a very difficult place to climb out of if we get there."

Yet, according to CalPERS projections, there's a 23 percent to 35 percent chance of falling below that level at some time in the next 30 years.

Little wonder CalPERS staff is urging the board to steadily reduce risk in its portfolio. Potential upside gains wouldn't be as high, but downside losses wouldn't be as low.

The shift would require slowly raising contribution rates — again. But better to fix the problem now than scramble to save the system in a crisis.

Bay Area News Group

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FRAUD CASE

12-year sentence in 2008 crash

Deadliest copter accident with working firefighters

By Jeff Barnard
Associated Press

MEDFORD, ORE. » A former executive was sentenced Tuesday to nearly 13 years in prison after admitting he provided false performance specifications to win a firefighting contract for a helicopter that crashed on a 2008 forest fire in California, killing seven firefighters and two pilots.

The deaths rank as the worst toll of working firefighters in a helicopter crash in U.S. history.

In passing sentence in U.S. District Court, Judge Ann Aiken scolded former Carson Helicopters vice president Steven Metheny for breaking every oath he had ever taken, from his time as an Eagle Scout growing up in Connecticut, to being a helicopter pilot for the National Guard in Connecticut and Oregon.

"In the end, you betrayed all your friends and family and the oaths you have taken," she told Metheny, 45. "If you had been found out and no one died, I would impose the same sentence."

Metheny had pleaded guilty to conspiracy to commit wire and mail fraud, as well as making false statements. He was sentenced to 12 years and seven months in federal prison. He reports in two months.

Though not directly charged with the deaths, Aiken said Metheny had put in motion a chain of events leading to the crash by giving the U.S Forest Service and pilots flying the Sikorsky S-61 helicopter false weight and balance charts and performance standards used to calculate how many passengers and cargo they could carry in different conditions.

The helicopter crashed while taking off with members of a Grayback Forestry crew from Merlin, Oregon, who were being pulled off the line on the Iron 44 fire outside Weaverville, California, in anticipation of approaching thunderstorms. The helicopter crashed while taking off from a clearing cut in heavy timber near the top of a mountain. Four firefighters survived.

When the deadline came for submitting weight and balance charts on the crash helicopter for the firefighting contract, the aircraft was in pieces at Carson's facility in Perkasie, Pennsylvania, Aiken said. So Metheny submitted estimates based on a formula put together by Carson chief mechanic Levi Phillips. Metheny maintained the fraud by putting made-up performance charts in the helicopter flight manual used by pilots.

Aiken sentenced Phillips to two years and one month in prison for his role in the plot.

The plot unraveled when investigators realized that the weights offered by Metheny were in tenths of a pound, and the Carson scale in Pennsylvania measured in whole pounds, prosecutor Byron Chatfield said. National Transportation Safety Board investigators also realized that the performance charts for the he-

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Crash

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licopter did not match the performance charts from the factory.

By the time it was flying over the Iron 44 fire, the helicopter was 1,400 pounds heavier than the charts supplied to the U.S. Forest Service and to pilots calculating how much of a payload the helicopter could handle, making it harder to take off in extreme conditions, the prosecution argued.

Defense lawyer Steven Myers argued that the helicopter pilot could have avoided the crash by doing a standard maneuver on takeoff, where the pilot hovers and checks his gauges.

Aiken dismissed that argument, noting her father had flown helicopters in the Korean War, crashing 13 times. "Whether the gauges were right or not, the pilot didn't have the right information," Aiken told Metheny.

Families of the dead firefighters had poured out their grief and anger during the hearing on Monday. But by the time the prison sentences were issued Tuesday, many said they were satisfied with the outcome.

"I wish I could say I forgive Metheny," said Juanita Gomez, who wore a photo around her neck of her son, Edrik, who was 19 and fighting fires to pay for college when he was killed. Four months after his death, Edrik's father died, unable to live with the loss, she had told the court.

"I am in the process of starting to do that, which is a big process for me," she said. "I do feel like a load has been lifted. We needed this ending."

Paul Steele, whose son, David, was killed, said the judge told Metheny what all of the grieving family members had wanted to tell him: You have inflicted a huge loss on a lot of people, and you need to make amends.

"He said he was sorry for our loss. But I don't think he ever said he was sorry for what he did," Steel said. "I think there is a distinction there."

Donna Rich who lost her 29-year-old son, Bryan, said she felt Metheny should have gotten a longer sentence "for the lives he destroyed. He just walks around like he has nothing to worry about, like he is paying a traffic ticket."

Also killed in the crash were check pilot Jim Ramage, 63, of Redding, California; command pilot Roark Schwanenberg, 54, of Lostine, Oregon; and firefighters Shawn Blazer, 19, of Ashland; Scott Charlson, 25, of Phoenix, Oregon; Matthew Hammer, 23, of Grants Pass; and Steven Caleb Renno, 21, of Cave Junction.