



## PUBLIC EMPLOYEE POST-EMPLOYMENT BENEFITS COMMISSION

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### **Bi-Partisan Benefits Commission Announces Comprehensive Plan To Address Pension and Retiree Health Care Obligations** *Finds at least \$118 billion is owed in retiree health benefits by California governments*

SACRAMENTO - Today, the Public Employee Post-Employment Benefits Commission issued its comprehensive eight point plan to address the unfunded pension and retiree health care liabilities for California state and local governments. In addition to the wide-ranging and unanimously reached recommendations, the Commission also announced the results of a first ever statewide survey revealing the amount state and local governments throughout California owe in retiree health care benefits. The total liability (as self-reported by California state and local governments), is at least \$118 billion dollars over the next 30 years. In addition, as previously announced by the Commission, California's public retirement systems report a combined unfunded pension liability of \$63.5 billion, with an aggregate funded ratio of 89% for all public pension systems combined.

Commission Chairman Gerald Parsky said, "The results of this survey should serve as a wake-up call about the importance of planning ahead and implementing prudent fiscal policies now. For the good of the state's fiscal health and the well being of our workforce, action must be taken. It is our hope that these recommendations will serve as a blueprint for state and local policy makers as they plan for the future and ensure that these promised benefits are delivered in a way that will not negatively impact other government services or leave the bill with future generations."

The Commission's report released today outlines an eight point plan comprised of specific recommendations. The recommendations are a culmination of 10 months of work by the bi-partisan Commission, including nearly 100 hours of testimony received from policy experts, concerned citizens, government leaders and public union representatives. The report was presented to the Governor and Legislature today by the 12 member Commission.

The recommendations are designed to help state and local leaders fulfill promises made to provide pension and OPEB (other post-employment benefits) to the state's public workforce with sensible fiscal policies, allowing for long-term cost savings. The Commission is also calling for frequent and direct communication with employees and retirees about benefit availability and modifications. In addition, several recommendations were made to increase openness, transparency and accountability throughout the benefits process. (See the "Executive Summary" section of the report for the full list of recommendations and the "Recommendations" section for the list with background for each.) The plan is comprised of recommendations in each of the following areas:



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1. Identify and Prefund Financial Obligations
2. Limit Contribution Volatility and Use Smoothing Methods Judiciously
3. Increase Transparency and Accountability
4. Improve Plan Design and Communication with Employees
5. Provide Independent Analysis
6. Strengthen Governance and Enhance Transparency
7. Coordinate with Medicare
8. Advocate Federal Tax Law Changes

“On behalf of the Commissioners, I would like to commend the Governor and Legislative Leaders for the cooperative spirit in which they appointed this bi-partisan Commission,” said Parsky. “The tone they set carried through this last year, as each Commissioner expressed a genuine desire to work through differences to develop unanimous recommendations that are in the best interest of all Californians.”

The Commission members were appointed in February of 2007 by both the Governor and Legislative Leadership. Their stated mission was to quantify pension and OPEB liabilities statewide, evaluate and compare various funding approaches and present recommendations to the state and local governments on how to best fund the liabilities.

- For the Commission’s Report and the Statewide OPEB Survey results visit:  
[www.pebc.ca.gov](http://www.pebc.ca.gov)
- For the California Research Bureau’s Public Retirement System Survey:  
<http://www.library.ca.gov/crb/07/07-014.pdf>

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