



**CALIFORNIA HAS A LONG-TERM RECORD** of solidly funding its pension system, so its concerns about retirement benefit costs for public sector employees are largely focused on health care and other non-pension benefits—and with good reason. California faces a long-term liability of \$48 billion for retiree health care for its public workers—an amount second only to New York’s in size—but it is one of the five largest states in the country that has not put aside any money for this bill. The state legislative analyst’s office has been active in following this issue in California and nationally; see [www.lao.ca.gov/retireehealth](http://www.lao.ca.gov/retireehealth).

### PENSIONS

TOTAL BILL COMING DUE: **\$355.5 billion**<sup>1</sup>


FUNDS SET ASIDE: **\$309 billion**

PORTION UNFUNDED: **\$46.5 billion**

PERCENT FUNDED: **87 as of 2005**<sup>2</sup>

TEN YEAR FUNDING HIGH: **118% in 1999**

TEN YEAR FUNDING LOW: **84% in 2003**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

**ASSUMPTIONS:** California smoothes out its annual investment results over a 15-year period, the longest used by any state. This should contribute to less volatility in its funding levels on a year-to-year basis. It assumes a slightly lower return on investments (7.75%) for its public employees fund than the median for the 50 states (8%). The amortization period conforms to accounting standards.

<sup>1</sup> Pension funds include public employees, judges, volunteer firefighters and teachers.

<sup>2</sup> 50-state mean was 82% in 2006; California’s 2006 figure was not available at the time of Pew’s report.


### OTHER BENEFITS

TOTAL BILL COMING DUE: **\$48 billion**

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$48 billion**<sup>1</sup>

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

\_\_\_\_\_

<sup>1</sup> 347% of covered payroll, compared to a national median of 135%.

**REFORMS:** The legislature has taken several steps in recent years to close pension system loopholes. The California Public Employees’ Retirement System also has set up a trust fund so that local employers that contract with the state can pre-fund obligations in a qualified trust. Governor Schwarzenegger has convened a special commission to examine public employee pension and retiree health benefits. The commission has been asked to recommend a plan to the legislature by January 1, 2008.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states’ retiree benefit obligations by Pew’s Center on the States. The full report and 50 state fact sheets can be found at [www.pewcenteronthestates.org](http://www.pewcenteronthestates.org).



The Pew Charitable Trusts applies the power of knowledge to solve today’s most challenging problems. Our Pew Center on the States identifies and advances effective policy approaches to critical issues facing states.  
**2005 Market Street, Suite 1700 | Philadelphia, PA 19103 | [www.pewtrusts.org](http://www.pewtrusts.org)**