



CALIFORNIA STATE TREASURER JOHN CHIANG

NEWS RELEASE

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Statement of California State Treasurer John Chiang on Today's Pension Fund Stabilization Announcement

SACRAMENTO – “California is presented with a unique opportunity to reduce its pension obligations by more than \$11 billion over the next 20 years, without having to reach deeper into the pockets of taxpayers or the public workforce that serves them.

“Faced with the stark reality that the state is on a trajectory to increase its pension payments from the current \$5.8 billion to \$9.2 billion in a mere six years, the Governor and I are partnering on a fiscally prudent plan to buy down our pension debt using what Albert Einstein once called ‘the eighth wonder of the world,’ compound interest.

“We accomplish this by strategically over paying our pension bill to CalPERS by \$6 billion dollars using state monies that currently earn less than 1%. Given that CalPERS has averaged an investment return of nearly 7% over the past 20 years, the additional interest earnings generated by the mega-payment represents a win-win for state workers and taxpayers. For every dollar we will put in today, the unfunded liability will be reduced by \$2 over the next 20 years.

“As California’s chief investment manager, I believe it is fiscally responsible to reallocate this money in order to produce better returns that can free up the state’s ability to invest in public safety, environmental protection, health care, and other vital public programs. Importantly, it reduces the burden of unfunded pension liabilities that would otherwise be passed along to future generations of Californians.

“One of the criticisms of Governor Brown’s landmark pension reform of 2013 was the full brunt of its benefits would not be realized for decades to come. I applaud and am proud to have worked with the Governor to bridge the gap between now and then. During this interim, we will reduce the unfunded liability by nearly 20%.

“Finally, as the manager of the state’s short-term investment pool from which the \$6 billion will be borrowed, I am also pleased to note that this unique one-time investment opportunity will earn more money to the benefit to all the public agencies whose investments I oversee.”

For more news, please follow the Treasurer on Twitter at [@CalTreasurer](#), and on Facebook at [California State Treasurer's Office](#).

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