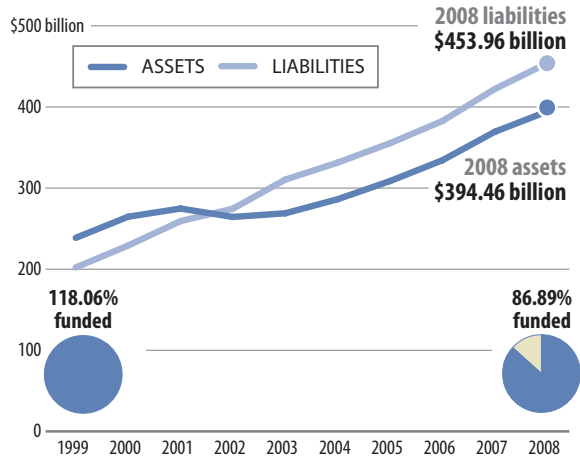


CALIFORNIA needs to improve how it manages its long-term liabilities for both pensions and retiree health care and other benefits. From 1997 through 2001, the state consistently met its actuarially required pension contributions; since 2002, however, it has not made this payment in full. Overall, California's pension plans are 87 percent funded—above the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts—but the results for individual plans vary. In 2008, the California Public Employees' Retirement System paid its entire actuarially required contribution of \$7.2 billion, but the California State Teachers' Retirement System contributed less than two-thirds of its \$4.3 billion obligation. Meanwhile, the state has set aside only \$3 million to cover the \$62 billion, long-term liability for retiree health care and other benefits. In the face of California's fiscal crisis, addressing this bill coming due will be a daunting challenge.

PENSIONS, 1999 – 2008

California's pension liabilities grew 125 percent between 1999 and 2008, outpacing assets, which grew 65 percent in that period.



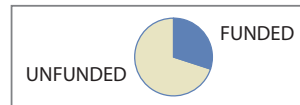
Total Bill Coming Due:	\$453,956,264
Portion Unfunded:	\$59,492,498
Annual Required Contribution (ARC):	\$12,376,481
Percentage ARC Funded:	84.59%

 **PENSIONS: NEEDS IMPROVEMENT**

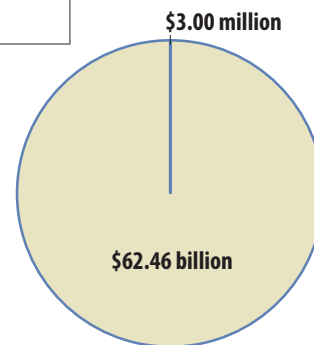
Note: In thousands

HEALTH CARE & OTHER BENEFITS, 2007

Retiree health care and other benefit liabilities are 12 percent of California's total retirement bill but are 40 percent of the state's retirement funding shortfall.



California's health care and other post-employment benefit programs are less than **0.01% funded**.



Total Bill Coming Due:	\$62,466,000
Portion Unfunded:	\$62,463,000
Annual Required Contribution (ARC):	\$5,178,789
Percentage ARC Funded:	30.61%

 **HEALTH CARE & OTHER BENEFITS: NEEDS IMPROVEMENT**

Note: In thousands



Our grades assess states on how well they manage their retirement obligations. Each state can earn up to four points for its pension plans: two points for a funding ratio of at least 80 percent; one for an unfunded liability below covered payroll; and one for paying an average of at least 90 percent of the ARC during the past five years. Solid Performer = 4 points. Needs Improvement = 2–3 points. Serious Concerns = 0–1 points. Grading for health care and other benefits is simpler because most states have only recently begun to fund and collect data on these liabilities. States are solid performers if they have set aside assets equal to at least 7.1 percent of their liabilities (the 50-state average), or they need improvement if they have contributed less.

For more details, read the full report at www.pewcenteronthestates.org/TrillionDollarGap.