OFFICE OF THE GOVERNOR

February 5, 2014

Rob Feckner
President, Board of Administration
California Public Employees' Retirement System
Lincoln Plaza North
400 Q Street
Sacramento, CA 95811

Dear Mr. Feckner:

At your next board meeting, you will consider when to account for the fact that government workers are living longer. Since CalPERS last faced this issue in 2010, there have been dramatic changes in life expectancy: by 2028, men retiring at age 55 are projected to live an average of 2.1 years longer and women 1.6 years longer.

For the state, these changes mean that pension costs will be much greater than previously thought and state costs will increase $1.2 billion annually—about 32 percent greater than today. The unfunded liability will rise by $9 billion, increasing from $45 billion to $54 billion.

Despite these facts, your staff recommends that the Board wait two full years before taking action. This would delay acknowledging the true costs of our pension system and cost an estimated $3.7 billion more over the next 20 years. This is unacceptable. Many of the other options outlined in your agenda are worse; they would drive long-term costs even higher.

I urge the Board to reflect the acknowledged demographic changes immediately and fully phase in the increased costs within three years.

No one likes to pay more for pensions, but ignoring their true costs for two more years will only burden the system and cost more in the long run.

Sincerely,

Jerry Brown

Edmund G. Brown Jr.

cc: Anne Stausboll, CEO
Priya Sara Mathur, Board Member
Michael Bilbrey, Board Member
Julie Chapman, Board Member
John Chiang, Board Member
Richard Costigan, Board Member
George Diehr, Board Member
JJ Jelincic, Board Member
Henry Jones, Board Member
Ron Lind, Board Member
Bill Lockyer, Board Member
Bill Slaton, Board Member