

California Pension Funds are not "Close to Bankruptcy". CalPERS Responds: "CalPERS retirement benefits are protected by law"

By Patricia K. Macht

Global Research, February 23, 2009

23 February 2009

Your article entitled <u>"California Pension Funds Close to Bankruptcy"</u> published on your website on February 1, 2009, contains numerous factual errors.

First of all, your headline suggesting that the CalPERS pension fund is "close to bankruptcy" is not true.

The term bankruptcy assumes that our fund does not have money to meet its obligations, which is not the case. Like all investors, our pension fund has experienced a decline in the market value of our assets due to the economic downturn. But we are not insolvent as your headline suggests. We continue to meet our benefit payment obligations, on schedule and without interruption.

CalPERS is designed to weather financial storms and market volatility. For example, in the 2001 recession, CalPERS lost \$50 billion on paper, but we rebounded over the next four years with a gain of \$120 billion. We have weathered numerous financial storms in the past. We expect to weather this one as well.

Our long-term investment strategy along with professional investment management have produced an average annual investment return of nearly 10 percent over the past 20 years – which included several investment downturns – well above our target 7.75 percent annual rate of return to fund benefits.

In fact, over the past 25 years, we have had 20 years with investment returns averaging 15 percent, nearly double our actuarial target rate. There were four down years, averaging a 5 percent loss in those years. One or two years of substandard investment performance does not have a significant impact on the long-term financial health of the CalPERS pension fund.

Also false is the statement that CalPERS members will receive reduced pension benefits or be forced to work longer because of recent investment losses.

CalPERS retirement benefits are protected by law. Courts have repeatedly ruled that vested benefits cannot be reduced or taken away once they are earned. Under state law, CalPERS benefits are determined by retirement age, years of service, and highest compensation – regardless of recent investment performance.

The original source of this article is Global Research

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: Patricia K.

Macht

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca