Opinion: Calculating Calif.’s unfunded pension debts

By Dan Walters, Sacramento Bee

The “unfunded liabilities” of state and local pension funds are California’s biggest unresolved political issue – at least in financial terms.



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We know, with fair accuracy, how much money flows into and out of those trust funds now and into the reasonably predictable future, as well as the current value of their investment portfolios.

What we don’t know is what those investments in stocks, bonds, real estate and hedge funds will earn in the future. And while there’s no way to precisely predict those earnings, the assumption of how investments will fare determines the size of the pension debt.

For many years, the California Public Employees’ Retirement System and other state and local pension systems have assumed earnings, technically called the “discount rate,” in the 7.5 percent to 8 percent range, and they seemed to be generally on target.

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