



# Betty T. Yee

## California State Controller

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### Controller Yee Updates State Retiree Health Care Liability

**SACRAMENTO** — The state's net liability for retiree health and dental benefits has gone down to \$85.59 billion, as incremental steps to meaningfully reduce this long-term government obligation begin to show results, according to a [report](#) published today by State Controller Betty T. Yee. The liability represents the present-day cost to provide health and dental benefits to state retirees and their dependents earned as of June 30, 2018 – one of the state's largest long-term liabilities. A year earlier, the state's net liability for retiree health care, commonly known as Other Postemployment Benefits (OPEB), was \$91.01 billion.

Several factors contributed to the \$5.42 billion decrease in California's OPEB liability, including changes in the discount rate and health care claims experience. Changes to the discount rate, also known as the assumed rate of return, are based on a municipal bond index and the state's prefunding policy. Favorable health care claims experience and plan design changes implemented by the California Public Employees' Retirement System (CalPERS) were the largest factors in the decrease.

"It is encouraging to see California's first year of decline in OPEB liability, due in large part to effective management of health care costs by CalPERS," said Controller Yee, the state's chief fiscal officer and a board member of CalPERS and CalSTRS. "This is a step in the right direction, but long-term sustainability will require continued vigilance as we expect to see a significant increase in new retirees that will challenge these cost controls. Full membership participation in prefunding would go a long way toward extending this positive trend."

Government retiree health care costs have increased dramatically in recent years. In 2001, the costs accounted for 0.6 percent of the state General Fund budget. This year, they totaled \$2.25 billion, or about 1.6 percent of the 2018-19 budget.

In January 2010, California began entering into collective bargaining agreements to prefund retiree health care benefits. Prior to this, California covered retiree health care benefits strictly as costs came due. As of June 2018, 22 out of 25 membership groups, or approximately 78 percent of active covered members, had entered into prefunding agreements. By 2046, it is estimated the state will be 100 percent caught up in funding the pay-as-you-go "legacy liability" and retiree benefit claims will begin to be paid from the California Employers' Retiree Benefit Trust Fund rather than the General Fund.

*As the chief fiscal officer of California, Controller Yee is responsible for accountability and disbursement of the state's financial resources. The Controller also safeguards many types of property until claimed by the rightful owners, and has independent auditing authority over government agencies that spend state funds. She is a member of numerous financing authorities, and fiscal and financial oversight entities including the Franchise Tax Board. She also serves on the boards for the nation's two largest public pension funds. Elected in 2014 and reelected in 2018, Controller Yee is only the tenth woman elected to a statewide office in California's history. Follow the Controller on Twitter at [@CAController](#) and on Facebook at [California State Controller's Office](#).*

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