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Calpers Raises Pension Plan Funding in California by 6 Percent.

(Reuters) – The largest U.S. public pension fund announced on Tuesday that the state of California and its schools will increase funding of employee pension funds by 6 percent starting July 1.

The California Public Employees' Retirement System, or Calpers, said the increases were driven by payroll growth, salary increases and retirees living longer.

The state of California must increase its contribution by $487 million to $4.7 billion. Schools must increase their contributions by $111 million to $1.3 billion.

The state pension plan is roughly 72 percent funded, while the school plan is about 86 percent funded, as of last June. That represents an approximate 6 percent increase for both plans over the previous fiscal year.

"As the fund matures, and the retired population grows, it's important that the rates reflect the changing demographics of our members," Richard Costigan, chair of the finance and administration committee, said in a statement.

The growing cost of public pensions is a key issue for state and local governments across the nation as guaranteed payments to retired employees have often forced cuts in spending on public services.

In California, where the city of San Bernardino is in municipal bankruptcy and the city of Stockton recently emerged from Chapter 9 protection, the issue of pension contributions has been particularly contentious. Both cities proposed to keep contributions to Calpers untouched while cutting debts to bondholders.

Calpers has $300 billion in total assets and the pension fund was roughly 77 percent funded as of last June.

(This story corrects 6 percent increase to plan funding, not contribution rates; adds fourth paragraph about plan funding)

By REUTERS
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(Reporting by Robin Respaut in San Francisco; Editing by Jonathan Oatis and Lisa Shumaker)