Is there problem? Yes, state pension costs for PERS and STRS up from $1.1 billion in 1999-2000 to $4.3 billion in 2009-2010, and growing fast.

What's the nature of problem? *Unfunded* benefits. We'd have this problem regardless of the size of benefits because of under-funding, though the size of the problem would be lower had benefits not been raised in 1999.

What causes the problem?

- Inadequate disclosure that allows governments to mask the issuance of debt
- Inflated earnings assumptions that lull governments into complacency about funding levels
- Nonsensical governance structure under which the taxpayers have all of the risk but none of the authority
- Obscene conflicts of interest that allow pension fund board members to take contributions or other benefits at expense to prudent management

What's the solution?

- Full disclosure; e.g., adopt New York City's additional disclosure standards
- Cap on earnings assumption
- Governance as outlined by Girard Miller (independent board; absolute prohibitions on conflicts and "pay-to-play")
- Strict contribution rules dictated by the math, not politics

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