NEWS RELEASE

CALIFORNIA STATE TREASURER BILL LOCKYER

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State Treasurer Lockyer Issues Statement on CalPERS' Endorsement of Bond Rating Reform

SACRAMENTO – State Treasurer Bill Lockyer issued the following statement on today's unanimous vote by the California Public Employees' Retirement System (CalPERS) governing board to endorse his effort to reform rating agencies' method for grading government-issued bonds. CalPERS is the nation's largest public pension fund, with assets totaling $240 billion. The vote came on a resolution brought to the board by Lockyer.

"One of the nation's largest institutional investors now has joined with bond issuers to call for reform. Our message to the agencies is simple. Treat taxpayers the same as corporations. Don't make them pay more to finance schools and roads than corporate entities pay when they bundle bonds into fancy, opaque investment vehicles. Rate municipal bonds based on the risk of default. End the double standard and create a unified, global rating approach that treats all issuers equally, and better serves taxpayers and investors."

The rating agencies hold government bond issuers to a higher standard than corporate issuers. Unlike corporations, governments are not graded on the risk of default. Government issuers rarely default, and the State of California never has defaulted on its bonds. This disparate treatment burdens municipal issuers which provide essential government services with lower ratings than they deserve. Lockyer has led a national campaign urging the agencies to end the double standard. He has won support from state and local issuers across the country, as well as key members of Congress.

Taxpayers are the ultimate victims. The lower ratings force them to pay billions of dollars in higher, unwarranted interest rates. And they pay additional money for bond insurance, to essentially buy the triple-A rating they should receive in the first place. If the State of California received the triple-A rating it deserved, taxpayers would save hundreds of millions of dollars in interest payments on still-unissued bonds approved by voters to finance crucial infrastructure projects. The current system also misleads investors by not telling them the truth about the minimal risk of default on municipal bonds.

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