The Trillion Dollar Gap

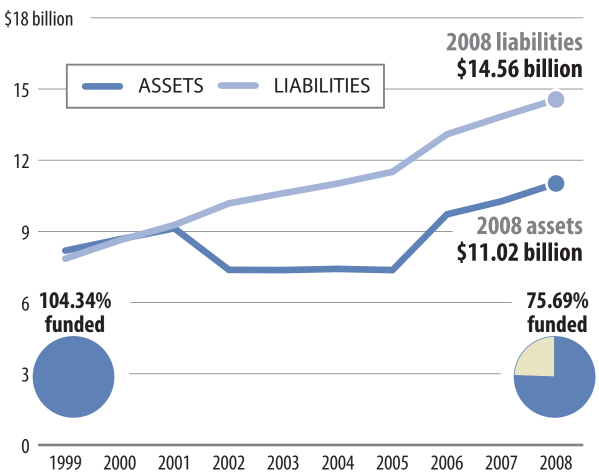
Underfunded State Retirement Systems and the Roads to Reform

Alaska

ALASKA's management of its long-term pension liability is cause for serious concern, but it is one of the nation's top two performers, along with Arizona, in addressing the bill coming due for retiree health care and other benefits. Alaska's pension liabilities were 100 percent funded in 2000. But in 2005, the state began underpaying its annual bill, with only 47 percent contributed that year. As of fiscal year 2008, Alaska's pension system was only 76 percent funded, just below the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts. In an effort to help pay for this bill coming due, the state authorized a pension obligation bond for up to $5 billion. The same year, the state stopped guaranteeing health care to new employees between their retirement and eligibility for Medicare. These efforts to reduce long-term costs built on legislation enacted in 2005 that switched new employees from a defined benefit plan to a defined contribution plan.

PENSIONS, 1999 – 2008

Alaska's pension liabilities grew 86 percent between 1999 and 2008, outpacing assets, which grew only 35 percent in that period.



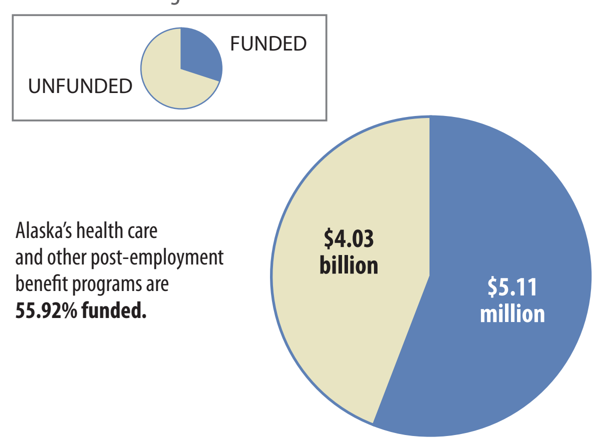
Total Bill Coming Due:	$14,558,255
Portion Unfunded:	$3,522,661
Annual Required Contribution (ARC):	$282,656
Percentage ARC Funded:	106.33%

Note: In thousands

PENSIONS: SERIOUS CONCERNS

HEALTH CARE & OTHER BENEFITS, 2008

Retiree health care and other benefit liabilities are 39 percent of Alaska's total retirement bill but are 53 percent of the state's retirement funding shortfall.



Total Bill Coming Due:	$9,146,629
Portion Unfunded:	$4,032,052
Annual Required Contribution (ARC):	$558,041
Percentage ARC Funded:	107.52%

Note: In thousands

HEALTH CARE & OTHER BENEFITS: SOLID PERFORMER

- Solid performer
- Needs improvement
- Serious concerns

Our grades assess states on how well they manage their retirement obligations. Each state can earn up to four points for its pension plans: two points for a funding ratio of at least 80 percent; one for an unfunded liability below covered payroll; and one for paying an average of at least 90 percent of the ARC during the past five years. Solid Performer = 4 points. Needs Improvement = 2–3 points. Serious Concerns = 0–1 points. Grading for health care and other benefits is simpler because most states have only recently begun to fund and collect data on these liabilities. States are solid performers if they have set aside assets equal to at least 7.1 percent of their liabilities (the 50-state average), or they need improvement if they have contributed less.
For more details, read the full report at www.pewcenteronthestates.org/TrillionDollarGap.

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