The Widening Gap Update

ALABAMA

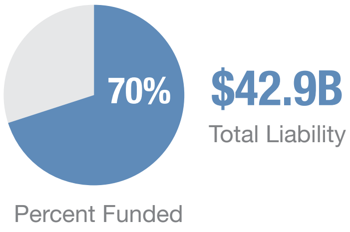
Although Alabama consistently paid its full annual pension contribution from 2005 to 2010, its pension system was 70 percent funded in fiscal year 2010 and faced a $13 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $15 billion bill for retiree health care costs, only 5 percent of which was funded, below the 8 percent national average in 2010.

In 2011, Alabama lawmakers increased contributions from current and future employees. The governor approved a package of reforms passed by the House and the Senate this year, which will raise the retirement age from 60 to 62 and decrease final average compensation for most new employees.

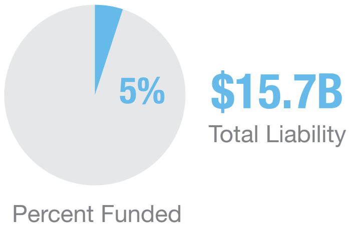
TOTAL BILL COMING DUE

Alabama's retirement plans had a liability of $58.7 billion and the state has fallen $28 billion short in setting aside money to pay for it.

Pensions



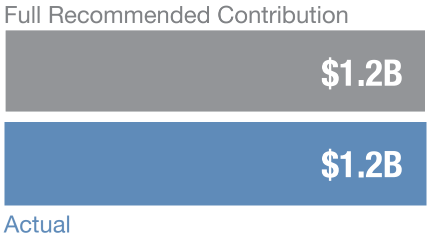
Retiree Health Care



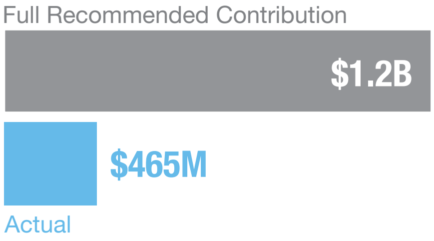
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Alabama paid 100 percent of the recommended contribution to its pension plans and just 39 percent of what the state should have paid to fund retiree health benefits.

Pensions

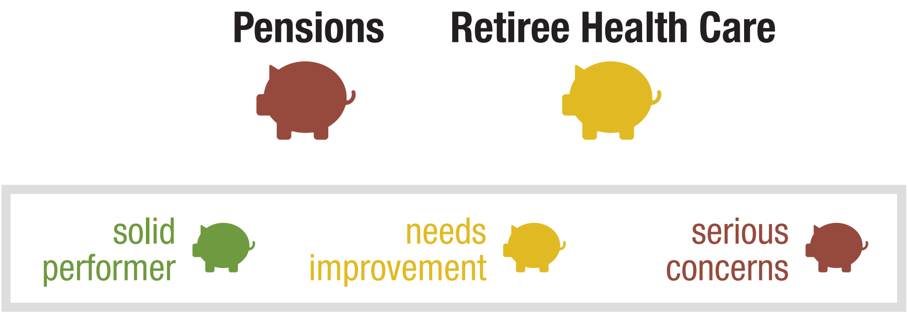


Retiree Health Care



HOW DID THIS STATE FARE?

Alabama's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.



The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

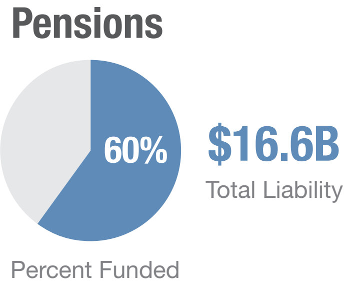
ALASKA

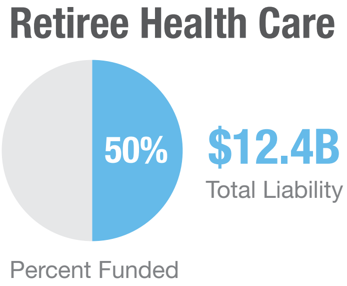
Alaska paid, or exceeded, its full annual pension contribution twice from 2005 to 2010. The system was 60 percent funded in fiscal year 2010 and faced a $7 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $6 billion bill for retiree health care costs, half of which was funded, well above the 8 percent national average in 2010.

In 2006, Alaska joined Michigan as the only states requiring newly hired employees to join a 401(k)-style, defined contribution retirement plan. But Alaska's funding challenge stems from the nearly 59,000 members in the old, defined-benefit plan, who far outnumber the nearly 12,000 in the new plan. The unfunded liabilities for those workers and retirees in the old system, coupled with investment losses suffered during the recession, have resulted in the funding gap facing the state.

TOTAL BILL COMING DUE

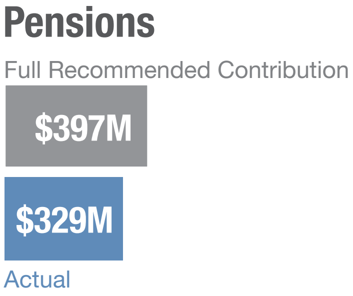
Alaska's retirement plans had a liability of $29 billion and the state has fallen $13 billion short in setting aside money to pay for it.

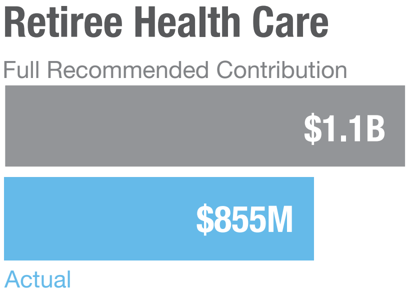




ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Alaska only paid 83 percent of the recommended contribution to its pension plans and just 77 percent of what the state should have paid to fund retiree health benefits.





HOW DID THIS STATE FARE?

Alaska's management of its long-term liabilities for pensions was cause for **serious concern** but the state was a **solid performer** in managing its retire health care bill.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

ARIZONA

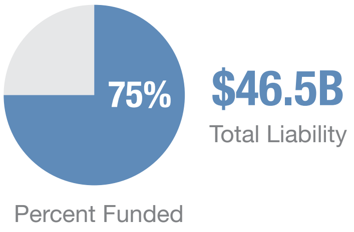
Although Arizona consistently paid, or exceeded, its full annual pension contribution from 2005 to 2010, the system was 75 percent funded in fiscal year 2010 and faced a $12 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $713 million bill for retiree health care costs, 69 percent of which was funded, well above the 8 percent national average in 2010.

Arizona lawmakers approved pension cuts in 2010 and 2011, including raising employee contributions, lowering state contributions, and limiting cost-of-living increases. But a district court judge said in 2012 that the higher contributions were unconstitutional, leaving their status in doubt.

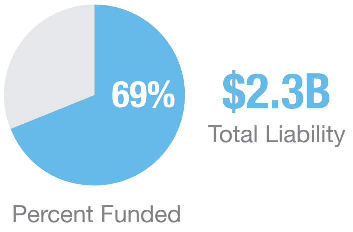
TOTAL BILL COMING DUE

Arizona's retirement plans had a liability of $48.8 billion and the state has fallen $12 billion short in setting aside money to pay for it.

Pensions



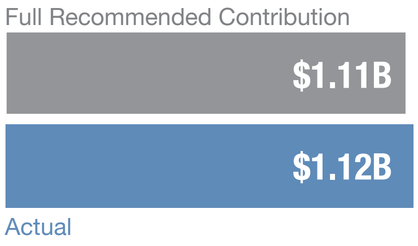
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Arizona paid 101 percent of the recommended contribution to its pension plans and 100 percent of what the state should have paid to fund retiree health benefits.

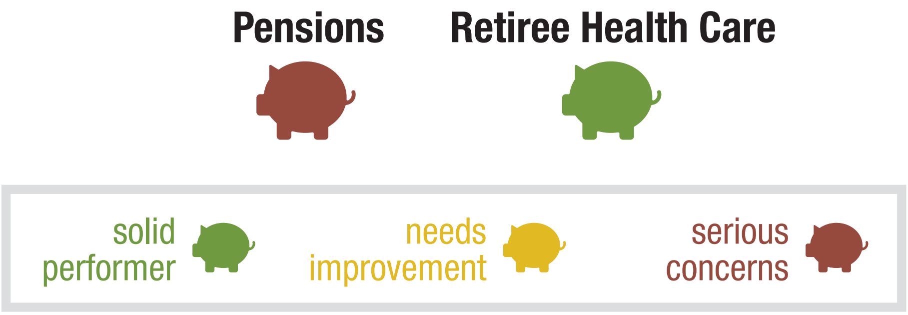
Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Arizona's management of its long-term liabilities for pensions was cause for **serious concern** but the state was a **solid performer** in managing its retire health care bill.



The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

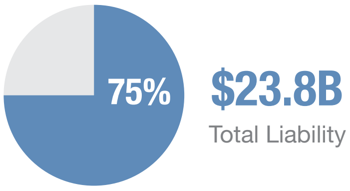
ARKANSAS

Although Arkansas consistently paid, or exceeded, its full annual pension contribution from 2005 to 2010, the system was 75 percent funded in fiscal year 2010 and faced a $6 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $2 billion bill for retiree health care costs, none of which was funded in 2010, well below the 8 percent national average.

TOTAL BILL COMING DUE

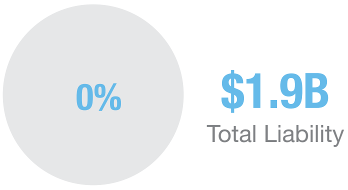
Arkansas's retirement plans had a liability of $25.7 billion and the state has fallen $8 billion short in setting aside money to pay for it.

Pensions



Percent Funded

Retiree Health Care

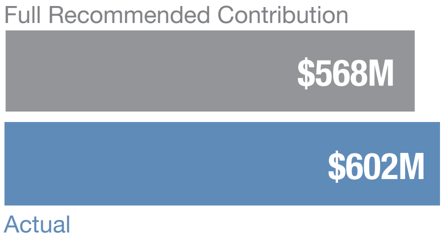


Percent Funded

ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Arkansas paid 106 percent of the recommended contribution to its pension plans and just 24 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Arkansas' management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.

Pensions	**Retiree Health Care**
🟥	🟥

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

CALIFORNIA

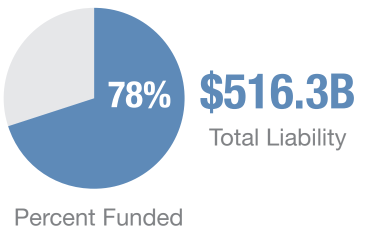
In California there was a consistent failure to make the full annual pension contributions towards the teacher retirement system from 2005 to 2010, although public employers did make the full contributions into California's main pension plan. Overall, the state's pension plans were 78 percent funded in fiscal year 2010 and faced a $112 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $77 billion bill for retiree health care costs, less than 1 percent of which had been funded, well below the 8 percent national average in 2010.

California lawmakers approved pension reforms in 2010 that changed the formula for calculating benefits to reduce the size of pension checks for new employees. Governor Jerry Brown has proposed shifting new employees to a hybrid retirement plan and raising the retirement age from 55 to 67.

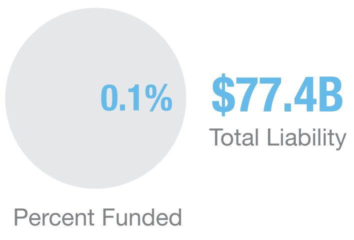
TOTAL BILL COMING DUE

California's retirement plans had a liability of $593.7 billion and the state has fallen $189 billion short in setting aside money to pay for it.

Pensions



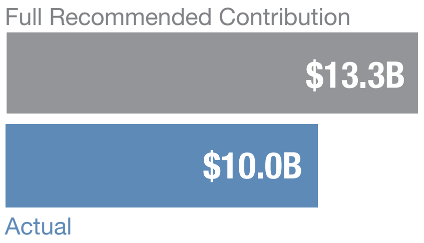
Retiree Health Care



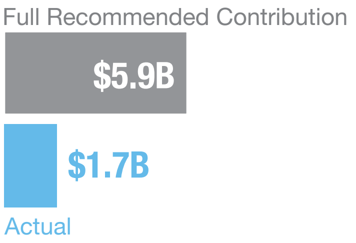
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, California only paid 75 percent of the recommended contribution to its pension plans and just 29 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

California's management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.

Pensions 🐷 **Retiree Health Care** 🐷

solid performer 🐷 needs improvement 🐷 serious concerns 🐷

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

COLORADO

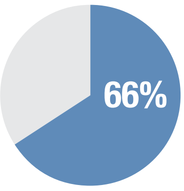
Colorado failed to consistently pay its full annual pension contribution from 2005 to 2010. The system was 66 percent funded in fiscal year 2010 and faced a $20 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $2 billion bill for retiree health care costs, 14 percent of which was funded, exceeding the 8 percent national average in 2010.

Colorado lawmakers approved pension benefit cuts in 2010 and 2011, increasing employee and taxpayer contributions, reducing cost-of-living increases for current retirees, raising the retirement age and service requirements for some current and all future employees, and limiting the re-employment benefits for retirees.

TOTAL BILL COMING DUE

Colorado's retirement plans had a liability of $61.5 billion and the state has fallen $22 billion short in setting aside money to pay for it.

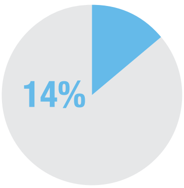
Pensions



$59.3B
Total Liability

Percent Funded

Retiree Health Care



$2.2B
Total Liability

Percent Funded

ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Colorado only paid 66 percent of the recommended contribution to its pension plans and just 80 percent of what the state should have paid to fund retiree health benefits.

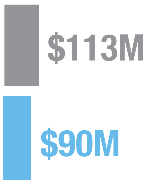
Pensions

Full Recommended Contribution

Actual

Retiree Health Care

Full Recommended Contribution



Actual

HOW DID THIS STATE FARE?

Colorado's management of its long-term liabilities for pensions was cause for **serious concern** but the state was a **solid performer** in managing its retire health care bill.

Pensions	**Retiree Health Care**
🟥	🟩

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

CONNECTICUT

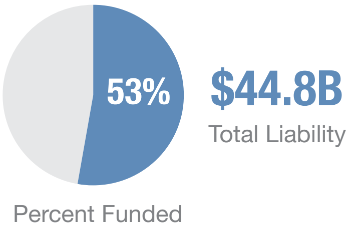
Connecticut paid its full annual pension contribution just three times from 2005 to 2010. The system was 53 percent funded in fiscal year 2010 and faced a $12 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $27 billion bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Connecticut lawmakers voted in 2010 to increase employee contributions to retiree health care plans. A year later, to avoid layoffs, the state's major employee unions agreed to reductions in wages and retirement and health benefits. In 2012, Governor Dannel Malloy proposed a long-term pension funding plan calling for the state retirement system to reach 80 percent funding by 2025 and full funding by 2032.

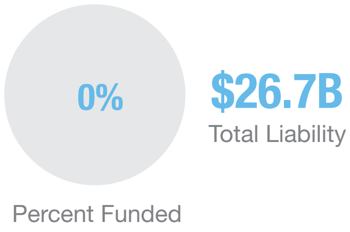
TOTAL BILL COMING DUE

Connecticut's retirement plans had a liability of $71.5 billion and the state has fallen $48 billion short in setting aside money to pay for it.

Pensions



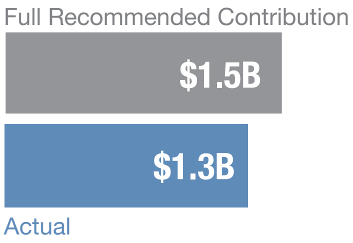
Retiree Health Care



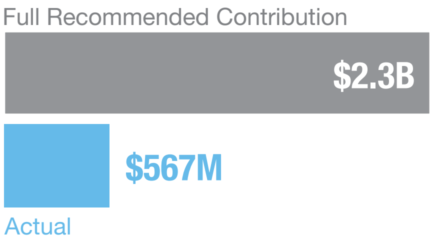
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Connecticut only paid 87 percent of the recommended contribution to its pension plans and just 25 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Connecticut's management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.

Pensions	Retiree Health Care
●	●

solid performer ● needs improvement ● serious concerns ●

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

DELAWARE

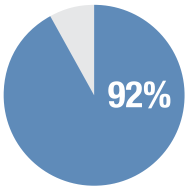
While Delaware failed to consistently pay its full annual pension contribution from 2005to 2010, the system was 92 percent funded in fiscal year 2010—largely due to its strong past performance. Delaware faced a $633 million funding gap in 2010 because of its pension liabilities. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $6 billion bill for retiree health care costs, less than2 percent of which was funded, well below the 8 percent national average in 2010.

Delaware lawmakers approved a series of benefit cuts in 2011 affecting newly hired employees. These included increasing employee contributions, raising the retirement age from 62 to 65, extending the vesting requirements from 5 years to 10 years, and limiting how overtime payments are factored into final average compensation. The state also reduced employee benefits in the retiree health care plan and increased employee contributions.

TOTAL BILL COMING DUE

Delaware's retirement plans had a liability of $13.8 billion and the state has fallen $6 billion short in setting aside money to pay for it.

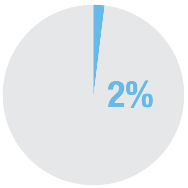
Pensions



$7.9B
Total Liability

Percent Funded

Retiree Health Care



$5.9B
Total Liability

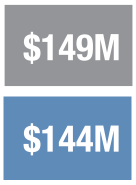
Percent Funded

ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Delaware paid 97 percent of the recommended contribution to its pension plans and just 35 percent of what the state should have paid to fund retiree health benefits.

Pensions

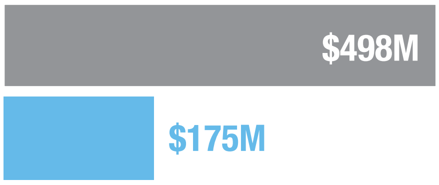
Full Recommended Contribution



Actual

Retiree Health Care

Full Recommended Contribution



Actual

HOW DID THIS STATE FARE?

Delaware was a **solid performer** at managing its long-term liabilities for pensions but **needed to improve** how it handled its bill for retiree health care.

Pensions	Retiree Health Care
🟩	🟨

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

FLORIDA

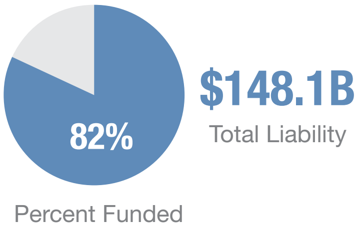
Although Florida consistently paid, or exceeded, its full annual pension contribution in all but one year from 2005 to 2010, the state was 82 percent funded in fiscal year 2010 and faced a $27 billion funding gap—down from fully funded just two years earlier. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $5 billion bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Florida lawmakers approved pension benefit cuts in 2011, including requiring employees to contribute to their pension benefits for the first time and trimming annual cost-of-living increases. A circuit court judge ruled in 2012 that the contribution requirement was unconstitutional, throwing the future of the benefit reforms in doubt.

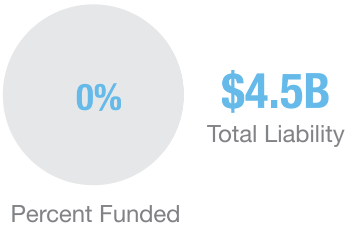
TOTAL BILL COMING DUE

Florida's retirement plans had a liability of $152.7 billion and the state has fallen $31 billion short in setting aside money to pay for it.

Pensions



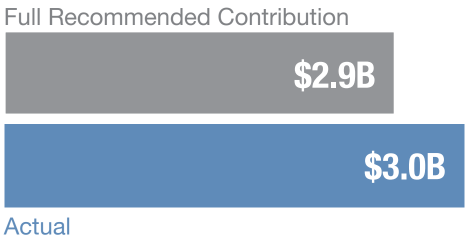
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Florida paid 107 percent of the recommended contribution to its pension plans and just 31 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Florida was a **solid performer** at how it managed its long-term liabilities for pensions but was cause for **serious concern** for how it handled its bill for retiree health care.

Pensions	**Retiree Health Care**
🟩	🟥

solid performer 🟩	needs improvement 🟨	serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

GEORGIA

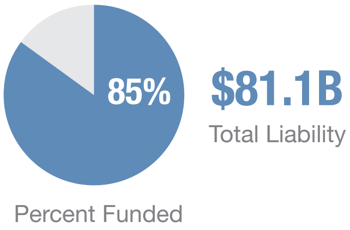
Georgia consistently paid its full annual pension contribution from 2005 to 2010, but the system was 85 percent funded in fiscal year 2010 and faced a $12 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $19 billion bill for retiree health care costs, 3 percent of which was funded, well below the 8 percent national average in 2010.

Georgia lawmakers approved benefit cuts in 2008 and 2009, including instituting a hybrid retirement plan for newly hired workers that combines features of a defined benefit and defined contribution plan. Lawmakers also restricted cost-of-living increases for new employees when they retire.

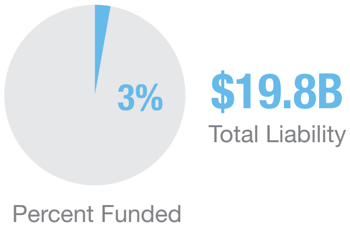
TOTAL BILL COMING DUE

Georgia's retirement plans had a liability of $100.9 billion and the state has fallen $32 billion short in setting aside money to pay for it.

Pensions



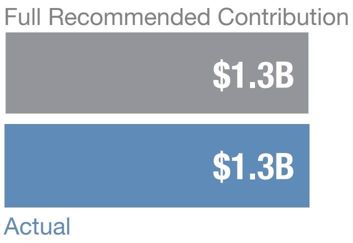
Retiree Health Care



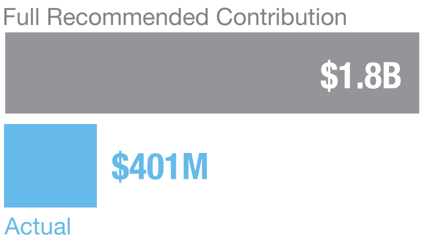
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Georgia paid 100 percent of the recommended contribution to its pension plans and just 22 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Georgia was a **solid performer** at how it managed its long-term liabilities for pensions but was cause for **serious concern** for how it handled its bill for retiree health care.

Pensions	Retiree Health Care
🟩	🟥

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

HAWAII

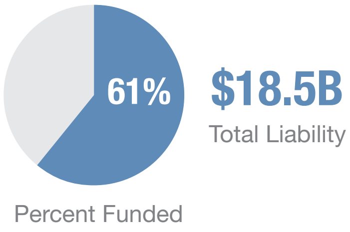
Although Hawaii paid its full annual pension contribution in all but one year from 2005 to 2010, the system was 61 percent funded in fiscal year 2010 and faced a $7 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $14 billion bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Hawaii lawmakers approved pension benefit cuts for newly hired employees in 2011, increasing employee and taxpayer contributions and trimming cost-of-living increases for retirees. Lawmakers also changed the retirement age for employees hired after July 1, 2012.

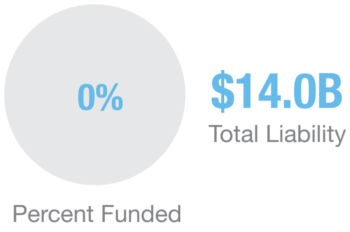
TOTAL BILL COMING DUE

Hawaii's retirement plans had a liability of $32.5 billion and the state has fallen $21 billion short in setting aside money to pay for it.

Pensions



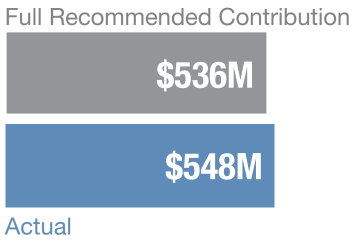
Retiree Health Care



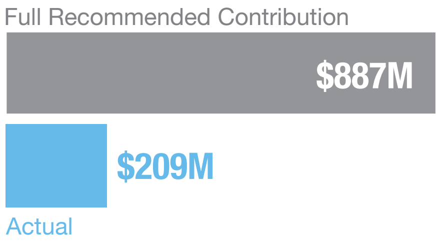
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Hawaii paid 102 percent of the recommended contribution to its pension plan and just 24 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Hawaii's management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.

Pensions	Retiree Health Care
🟥	🟥

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

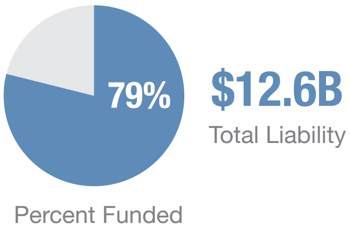
IDAHO

Although Idaho consistently paid, or exceeded, its full annual pension contribution from 2005 to 2010, the system was 79 percent funded in fiscal year 2010 and faced a $3 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $137 million bill for retiree health care costs, 12 percent of which was funded, exceeding the 8 percent national average in 2010.

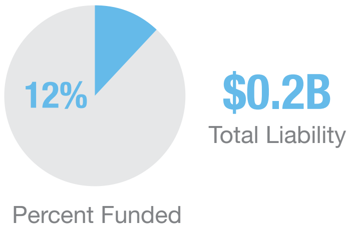
TOTAL BILL COMING DUE

Idaho's retirement plans had a liability of $12.7 billion and the state has fallen $3 billion short in setting aside money to pay for it.

Pensions



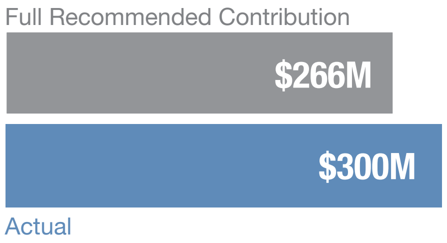
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Idaho paid 113 percent of the recommended contribution to its pension plans and just 78 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Idaho **needed to improve** how It handled its long-term liabilities for pensions and was a **solid performer** at handling its retiree health care bill.

Pensions	**Retiree Health Care**
🟨	🟩

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

ILLINOIS

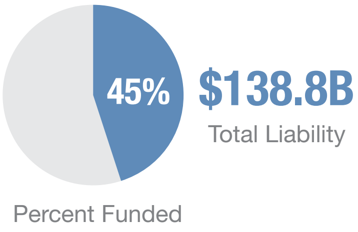
Illinois consistently failed to pay its full annual pension contribution from 2005 to 2010. The system was 45 percent funded in fiscal year 2010—the lowest in the country—and faced a $76 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $44 billion bill for retiree health care costs, less than 1 percent of which was funded, well below the 8 percent national average in 2010.

Illinois lawmakers approved pension benefit cuts in 2010, including limiting cost-of-living increases and raising the retirement age from 60 to 67 for newly hired employees. The state also sold pension obligation bonds to help fund its pension contribution. Recent pension reform efforts were blocked in the Illinois House.

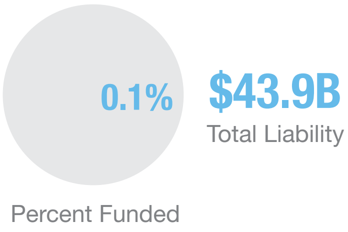
TOTAL BILL COMING DUE

Illinois' retirement plans had a liability of $182.7 billion and the state has fallen $120 billion short in setting aside money to pay for it.

Pensions



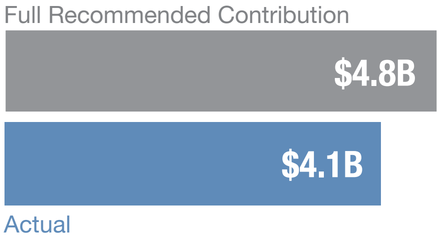
Retiree Health Care



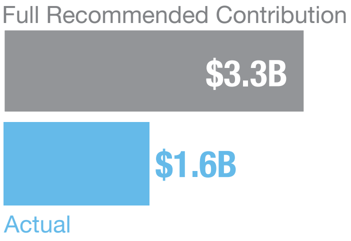
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Illinois only paid 87 percent of the recommended contribution to its pension plans and just 48 percent of what the state should have paid to fund retiree health benefits.

Pensions

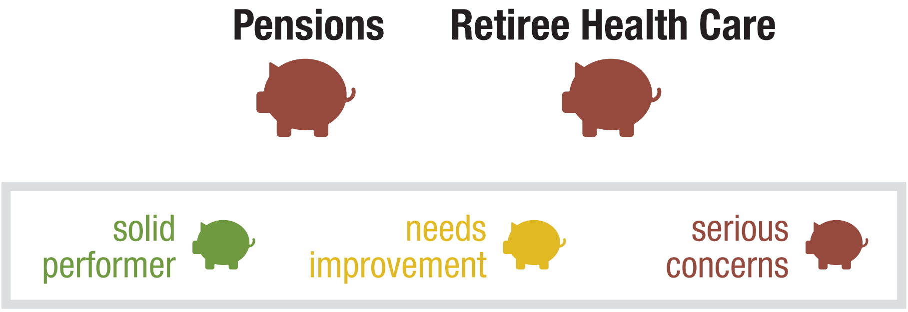


Retiree Health Care



HOW DID THIS STATE FARE?

Illinois' management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.



The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

INDIANA

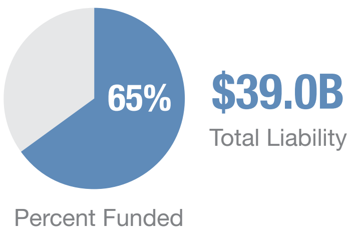
Indiana paid, or exceeded, its full annual pension contribution four times from 2005 to 2010, but the system was 65 percent funded in fiscal year 2010 and faced a $14 billion funding gap. Of that unfunded liability, 80 percent was the result of the poorly funded State Teachers' Retirement Fund. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $383 million bill for retiree health care costs, only 5 percent of which was funded, slightly below the 8 percent national average in 2010.

In 2011, Indiana lawmakers approved a defined contribution plan but made it an option for new state employees. Employees who do not choose this plan must join a hybrid plan that combines features of defined benefit and defined contribution plans.

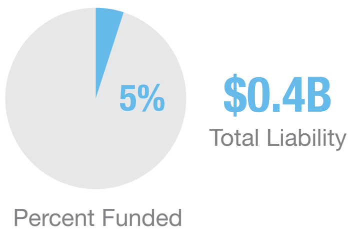
TOTAL BILL COMING DUE

Indiana's retirement plans had a liability of $39.4 billion and the state has fallen $14 billion short in setting aside money to pay for it.

Pensions



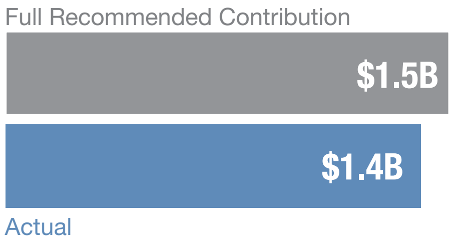
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Indiana paid 94 percent of the recommended contribution to its pension plans and just 23 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Indiana's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

Pensions	Retiree Health Care
🟥	🟨

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

IOWA

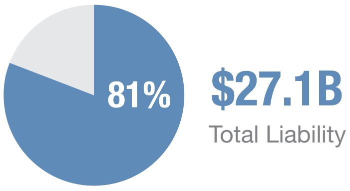
Iowa failed to pay its full annual pension contribution between 2005 and 2010. As a result, its system was 81 percent funded in fiscal year 2010 and faced a $5 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $538 million bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Iowa lawmakers approved changes to the state's pensions in 2010, including raising employee and taxpayer contributions and increasing the vesting and years-of-service requirements for new employees.

TOTAL BILL COMING DUE

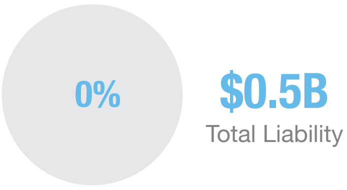
Iowa's retirement plans had a liability of $27.6 billion and the state has fallen $6 billion short in setting aside money to pay for it.

Pensions



Percent Funded

Retiree Health Care

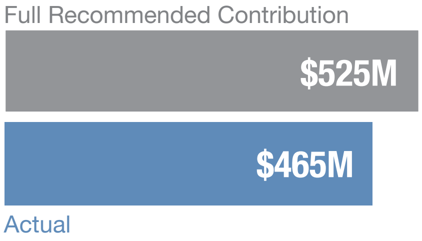


Percent Funded

ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Iowa only paid 89 percent of the recommended contribution to its pension plans and just 42 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Iowa **needed to improve** how it managed its long-term liabilities for pensions and was cause for **serious concern** in how it handled its bill for retiree health care.

Pensions **Retiree Health Care**

solid performer needs improvement serious concerns

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

KANSAS

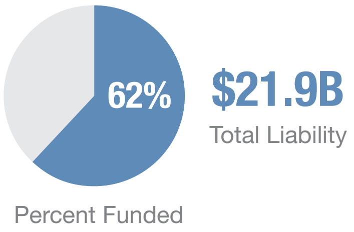
Kansas failed to pay its full annual pension contribution from 2005 to 2010. The pension system was 62 percent funded in fiscal year 2010 and faced an $8 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $549 million bill for retiree health care costs, less than 3 percent of which was funded, well below the 8 percent national average in 2010.

In 2007, Kansas lawmakers created a second pension plan tier with new service requirements and increased employee contributions. In June 2012, the Governor signed a bill shifting new employees into a new pension system that combines aspects of a traditional defined benefit and a defined contribution individual retirement account.

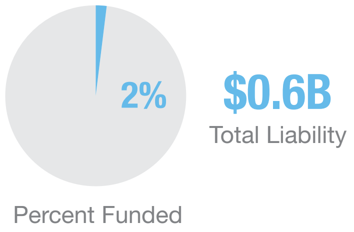
TOTAL BILL COMING DUE

Kansas' retirement plans had a liability of $22.4 billion and the state has fallen $9 billion short in setting aside money to pay for it.

Pensions



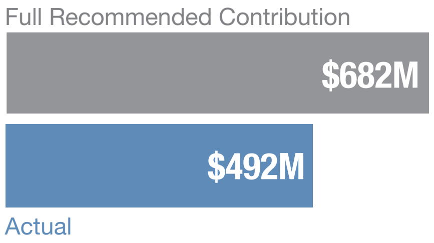
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Kansas only paid 72 percent of the recommended contribution to its pension plan and just 42 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Kansas' management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

KENTUCKY

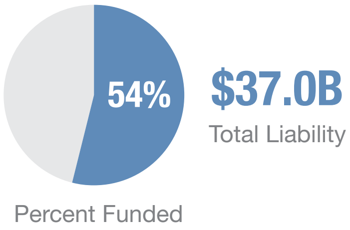
Kentucky failed to pay its full annual pension contribution from 2005 to 2010. Its pension system was 54 percent funded in fiscal year 2010 and faced a $17 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had an $8 billion bill for retiree health care costs, 15 percent of which was funded, exceeding the 8 percent national average in 2010.

Kentucky lawmakers approved legislation in 2008 raising the retirement age and changing benefit calculations for new employees. In 2010, lawmakers increased employee contributions to retiree health care and established a trust fund to pay benefits instead of relying on a pay-as-you-go approach.

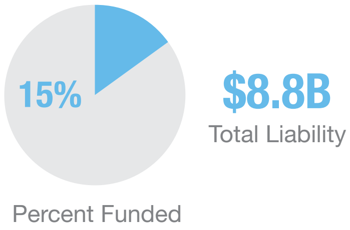
TOTAL BILL COMING DUE

Kentucky's retirement plans had a liability of $45.8 billion and the state has fallen $24 billion short in setting aside money to pay for it.

Pensions



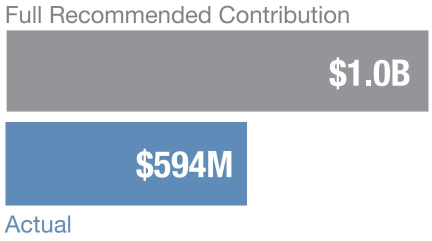
Retiree Health Care



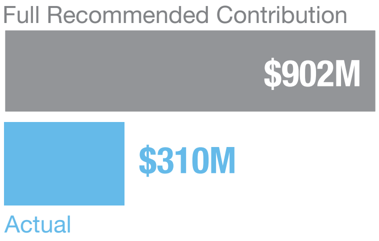
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Kentucky only paid 58 percent of the recommended contribution to its pension plans and just 34 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Kentucky's management of its long-term liabilities for pensions was cause for **serious concern** but the state was a **solid performer** in managing its retire health care bill.

Pensions	Retiree Health Care
🟥	🟩

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

LOUISIANA

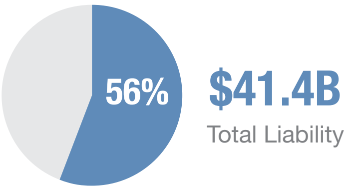
Louisiana failed to pay its full annual pension contribution three times from 2005 to 2010. The state's pension system was 56 percent funded in fiscal year 2010 and faced an $18 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $10 billion bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Louisiana lawmakers approved pension benefit cuts in 2009 and 2010, including higher taxpayer contributions and limits on cost-of-living increases for new employees. Governor Bobby Jindal in 2012 signed legislation putting new hires in a cash balance plan, which has features of defined benefit and defined contribution plans.

TOTAL BILL COMING DUE

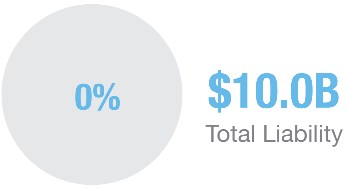
Louisiana's retirement plans had a liability of $51.4 billion and the state has fallen $28 billion short in setting aside money to pay for it.

Pensions



Percent Funded

Retiree Health Care

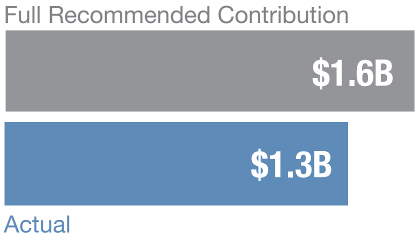


Percent Funded

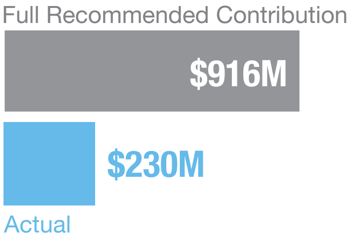
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Louisiana only paid 84 percent of the recommended contribution to its pension plans and just 25 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Louisiana's management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.

Pensions **Retiree Health Care**

solid performer needs improvement serious concerns

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

MAINE

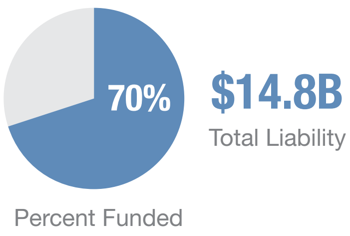
Although Maine paid, or exceeded, its full annual pension contribution from 2005 to 2010, the system was 70 percent funded in fiscal year 2010 and faced a $4 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $3 billion bill for retiree health care costs, only 6 percent of which was funded, slightly below the 8 percent national average in 2010.

Maine lawmakers approved pension cuts in 2011, including freezing and reducing the annual cost-of-living increase for retirees and raising the retirement age from 62 to 65 for current employees with less than five years of service. Maine also created a trust fund to prefund its retiree health care liability.

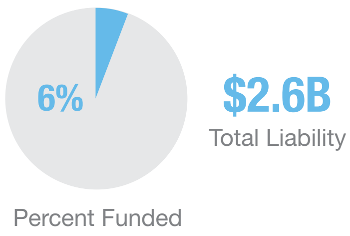
TOTAL BILL COMING DUE

Maine's retirement plans had a liability of $17.4 billion and the state has fallen $7 billion short in setting aside money to pay for it.

Pensions



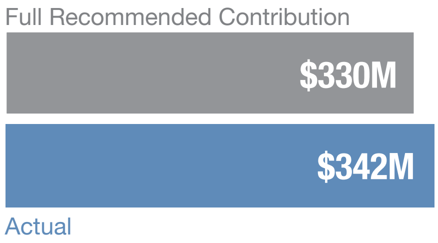
Retiree Health Care



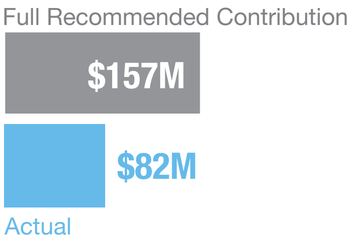
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Maine paid 103 percent of the recommended contribution to its pension plan and just 52 percent of what the state should have paid to fund retiree health benefits.

Pensions

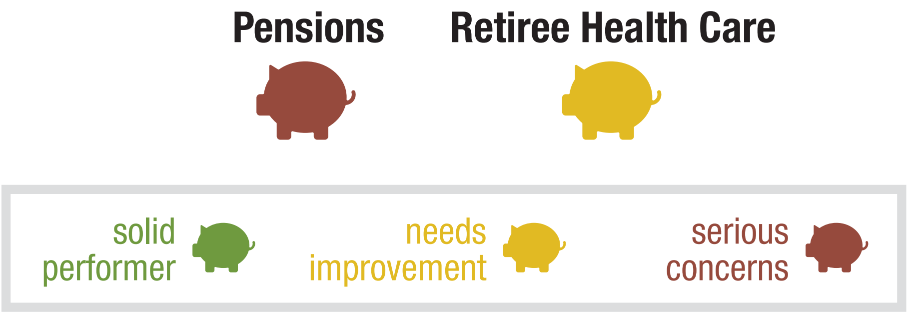


Retiree Health Care



HOW DID THIS STATE FARE?

Maine's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.



The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

MARYLAND

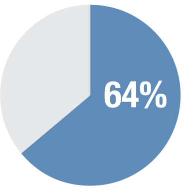
Maryland failed to pay its full annual pension contribution from2005 to 2010. The system was 64 percent funded in fiscal year 2010 and faced a $20 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $16 billion bill for retiree health care costs, only 1 percent of which was funded, well below the 8 percent national average in 2010.

Maryland lawmakers approved pension cuts in 2011, including increasing contributions from current and future employees and reducing annual cost-of-living increases for retirees. Lawmakers also reduced retiree health care benefits by requiring higher co-payments for prescription drugs.

TOTAL BILL COMING DUE

Maryland's retirement plans had a liability of $71 billion and the state has fallen $36 billion short in setting aside money to pay for it.

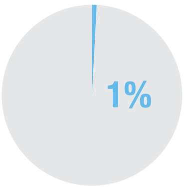
Pensions



$54.5B
Total Liability

Percent Funded

Retiree Health Care



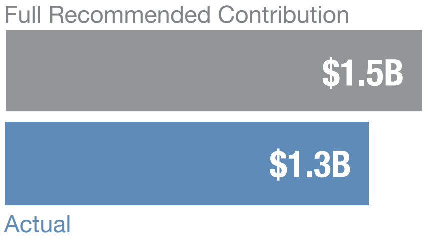
$16.5B
Total Liability

Percent Funded

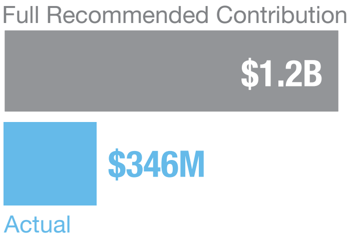
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Maryland only paid 87 percent of the recommended contribution to its pension plans and just 28 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Maryland's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

MASSACHUSETTS

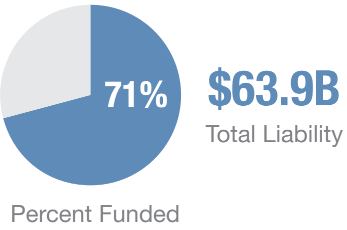
Massachusetts failed to pay its full annual pension contribution four times from 2005 and 2010. The system was 71 percent funded in fiscal year 2010 and faced an $18 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $16 billion bill for retiree health care costs, only 2 percent of which was funded, well below the 8 percent national average in 2010.

Massachusetts lawmakers approved pension benefit cuts in 2009 and in 2011. Lawmakers increased the retirement age from 55 to 60 for new hires, limited annual cost-of-living increases for retirees, reduced the formula used to calculate benefits, and eliminated double-dipping for elected officials, in which politicians drew a pension and a state salary at the same time.

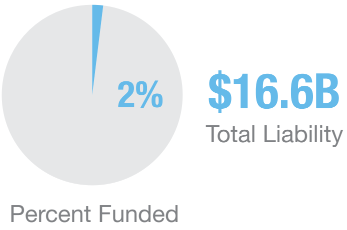
TOTAL BILL COMING DUE

Massachusetts' retirement plans had a liability of $80.5 billion and the state has fallen $35 billion short in setting aside money to pay for it.

Pensions



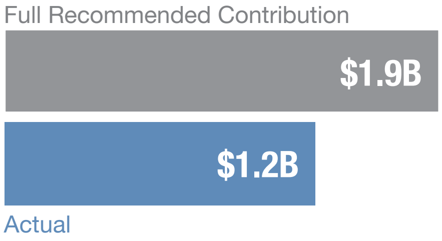
Retiree Health Care



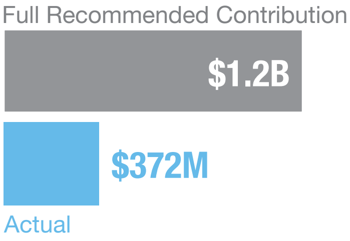
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Massachusetts only paid 65 percent of the recommended contribution to its pension plans and just 32 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Massachusetts' management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

Pensions	Retiree Health Care
🟥	🟨

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

MICHIGAN

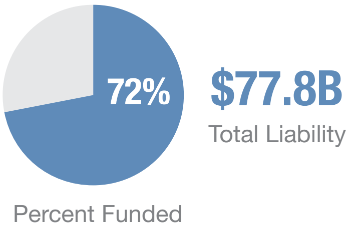
Michigan failed to pay its full annual pension contribution four times from 2005 to 2010. The system was 72 percent funded in fiscal year 2010 and faced a $22 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $45 billion bill for retiree health care costs, less than 3 percent of which was funded, well below the 8 percent national average in 2010.

Michigan lawmakers approved pension benefit cuts in 2010 that applied to newly hired school employees. The changes required new school employees to participate in a hybrid plan, eliminated annual cost-of-living increases, raised the retirement age from 55 to 60, and decreased employees' final average compensation. Lawmakers also required current and future state employees to contribute 3 percent of their pay into a trust fund to finance retiree health care benefits.

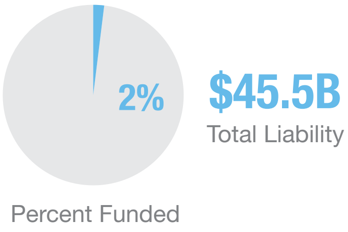
TOTAL BILL COMING DUE

Michigan's retirement plans had a liability of $123.3 billion and the state has fallen $67 billion short in setting aside money to pay for it.

Pensions



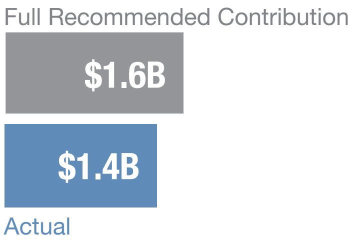
Retiree Health Care



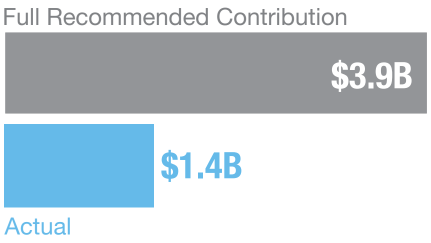
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Michigan only paid 86 percent of the recommended contribution to its pension plans and just 36 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Michigan's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

Pensions	Retiree Health Care
🟥	🟨

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

MINNESOTA

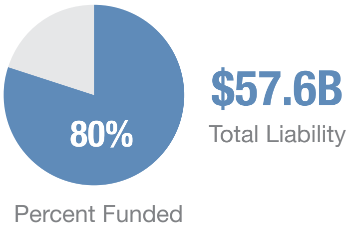
Minnesota consistently failed to pay its full annual pension contribution from 2005 to 2010. The system was 80 percent funded in fiscal year 2010 and faced an $11 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $1 billion bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Minnesota lawmakers approved changes to the state's pension system in 2010, increasing employee contributions, reducing annual cost-of-living increases for current and future retirees, and lengthening the vesting period for new employees from three years to five years.

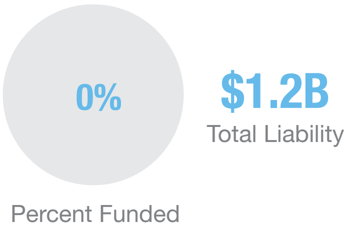
TOTAL BILL COMING DUE

Minnesota's retirement plans had a liability of $58.8 billion and the state has fallen $13 billion short in setting aside money to pay for it.

Pensions



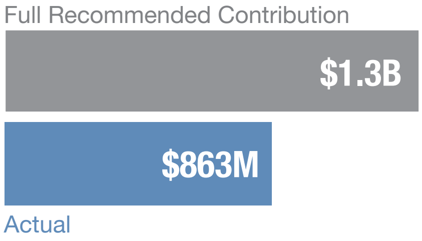
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Minnesota only paid 65 percent of the recommended contribution to its pension plans and just 44 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Minnesota **needed to improve** how it managed its long-term liabilities for pensions and was cause for **serious concern** in how it handled its bill for retiree health care.

Pensions	Retiree Health Care
needs improvement	serious concerns

solid performer · needs improvement · serious concerns

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

MISSISSIPPI

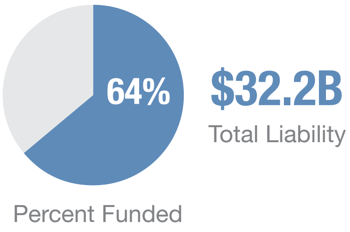
Mississippi paid its full annual pension contribution four times from 2005 to 2010, but the system was 64 percent funded in fiscal year 2010 and faced a $12 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $728 million bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Mississippi lawmakers approved pension benefit cuts in 2010 and 2011, including increasing employee contributions, raising the age and service requirements for newly hired employees, reducing annual cost-of-living increases for new employees, and limiting re-employment benefits for retirees.

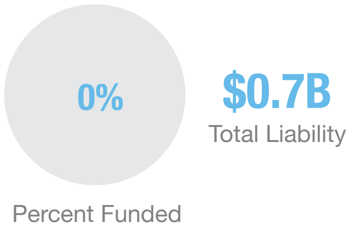
TOTAL BILL COMING DUE

Mississippi's retirement plans had a liability of $32.9 billion and the state has fallen $12 billion short in setting aside money to pay for it.

Pensions



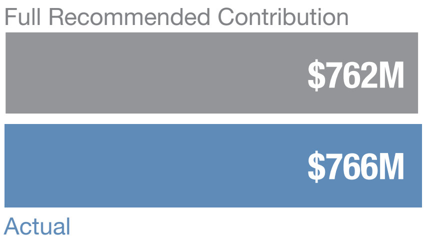
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Mississippi paid 100 percent of the recommended contribution to its pension plans and just 63 percent of what the state should have paid to fund retiree health benefits.

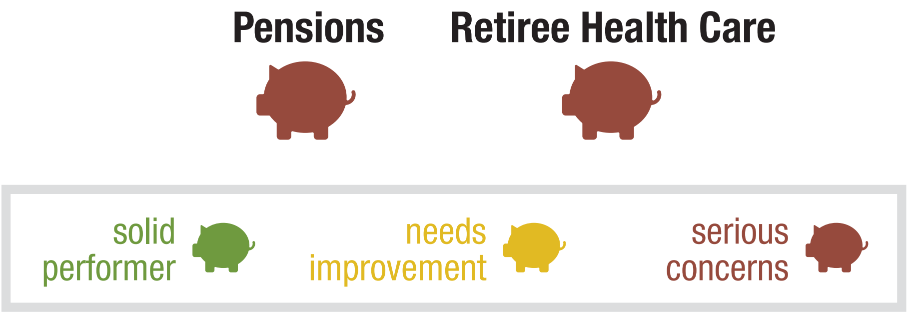
Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Mississippi's management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.



The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

MISSOURI

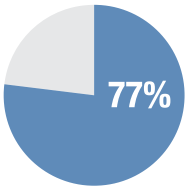
Missouri failed to consistently pay its full annual pension contribution from 2005 to 2010. The system was 77 percent funded in fiscal year 2010 and faced a $13 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $3 billion bill for retiree health care costs, only 4 percent of which was funded, below the 8 percent national average in 2010.

Missouri lawmakers approved changes to the state's pension system in 2010, including increasing contributions from new employees, raising the retirement age from 62 to 67, and boosting the service and vesting requirements.

TOTAL BILL COMING DUE

Missouri's retirement plans had a liability of $60.4 billion and the state has fallen $16 billion short in setting aside money to pay for it.

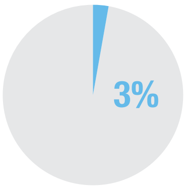
Pensions



$57.2B
Total Liability

Percent Funded

Retiree Health Care



$3.2B
Total Liability

Percent Funded

ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Missouri only paid 89 percent of the recommended contribution to its pension plans and just 49 percent of what the state should have paid to fund retiree health benefits.

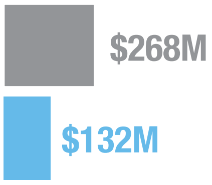
Pensions

Full Recommended Contribution

Actual

Retiree Health Care

Full Recommended Contribution



Actual

HOW DID THIS STATE FARE?

Missouri's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

Pensions	Retiree Health Care
🟥	🟨

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

MONTANA

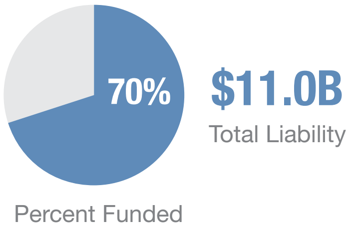
Montana failed to pay its full annual pension contribution four times from 2005 to 2010. The system was 70 percent funded in fiscal year 2010 and faced a $3 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $541million bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Montana lawmakers approved changes to the state's pension system for newly hired employees in 2011, including increasing contributions, raising the retirement age from 60 to 65, and changing the formula that calculates retirement benefits.

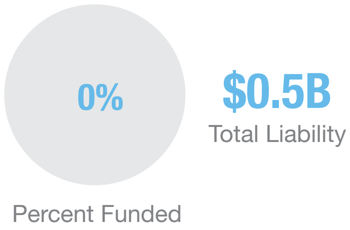
TOTAL BILL COMING DUE

Montana's retirement plans had a liability of $11.6 billion and the state has fallen $4 billion short in setting aside money to pay for it.

Pensions



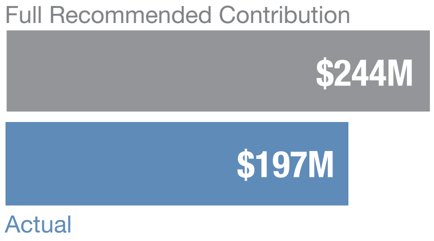
Retiree Health Care



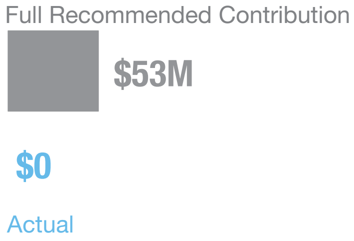
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Montana only paid 81 percent of the recommended contribution to its pension plans and failed to contribute anything to fund retiree health benefits.

Pensions

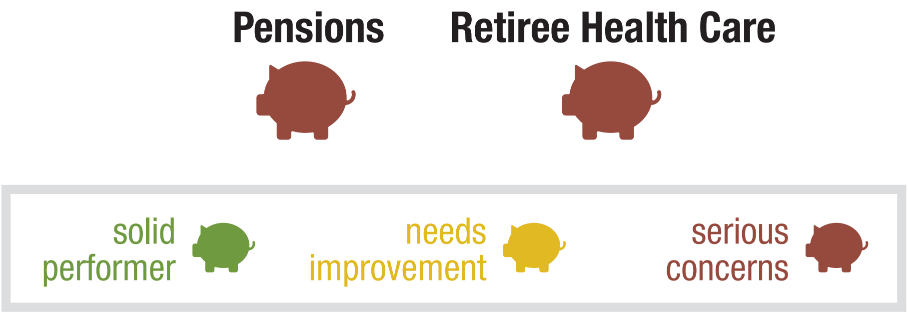


Retiree Health Care



HOW DID THIS STATE FARE?

Montana's management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.



The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

NEBRASKA

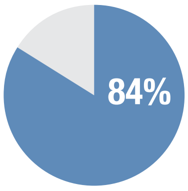
Nebraska consistently paid its full annual pension contribution every year from 2005 to 2010, and the system was 84 percent funded in fiscal year 2010, but faced a $2 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state does not calculate a liability for retiree health benefits.

Nebraska lawmakers approved changes to the state's cash balance plan in 2009 and 2011, including increasing contributions from employees and taxpayers.

TOTAL BILL COMING DUE

Nebraska's retirement plans had a liability of $10 billion and the state has fallen $2 billion short in setting aside money to pay for it.

Pensions



$10.0B
Total Liability

Percent Funded

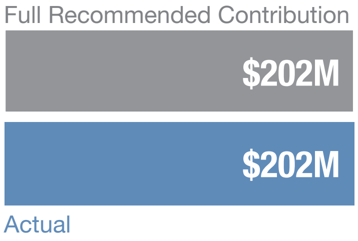
Retiree Health Care

No data available

ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Nebraska paid 100 percent of the recommended contribution to its pension plans and did not have a recommended contribution the state needed to make for retiree health benefits.

Pensions



Retiree Health Care

No data available

HOW DID THIS STATE FARE?

Nebraska was a **solid performer** at how it managed its long-term liabilities for pensions and the state did not get assessed for how it managed its retiree health care obligations.

Pensions	**Retiree Health Care**
🟩	Unassessed

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

NEVADA

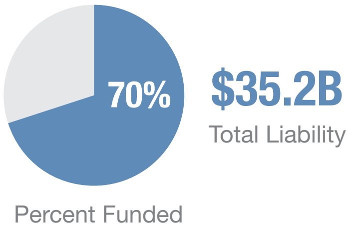
Nevada consistently failed to pay its full annual pension contribution from 2005 to 2010. The system was 70 percent funded in fiscal year 2010 and faced a $10 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $2 billion bill for retiree health care costs, only 2 percent of which was funded, well below the 8 percent national average in 2010.

Nevada lawmakers approved pension benefit cuts for newly hired employees in 2009, including increasing the retirement age from 60 to 62, changing the formula used to calculate benefits, and limiting cost-of-living increases.

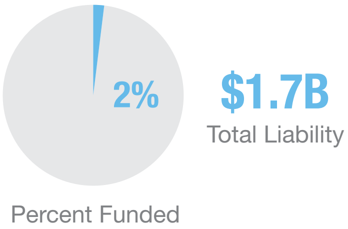
TOTAL BILL COMING DUE

Nevada's retirement plans had a liability of $36.9 billion and the state has fallen $12 billion short in setting aside money to pay for it.

Pensions



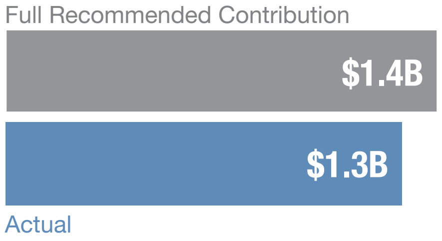
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Nevada paid 92 percent of the recommended contribution to its pension plans and just 21 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Nevada's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

NEW HAMPSHIRE

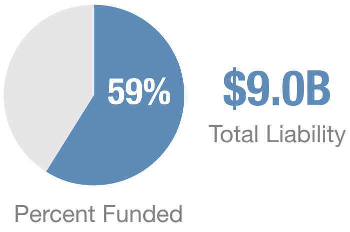
New Hampshire failed to pay its full annual pension contribution twice from 2005 to 2010. The system was 59 percent funded in fiscal year 2010 and faced a $4 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $3 billion bill for retiree health care costs, only 2 percent of which was funded, well below the 8 percent national average in 2010.

New Hampshire lawmakers approved pension benefit cuts in 2009 and 2011, including increasing contributions from current and future employees, raising the retirement age for new employees from 60 to 65, changing the formula used to calculate benefits, and reducing annual cost-of-living increases. A district court judge ruled in 2012 that the higher employee contributions were unconstitutional, leaving their status in doubt. Lawmakers also cut retiree health care benefits and increased employee contributions.

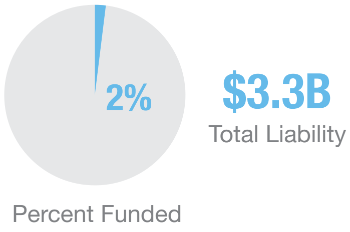
TOTAL BILL COMING DUE

New Hampshire's retirement plans had a liability of $12.3 billion and the state has fallen $7 billion short in setting aside money to pay for it.

Pensions



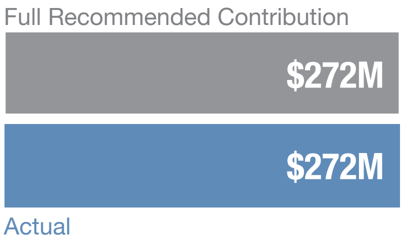
Retiree Health Care



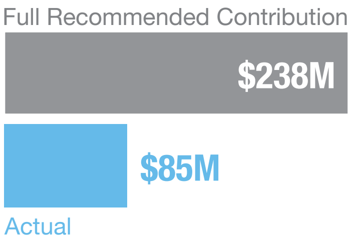
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, New Hampshire paid 100 percent of the recommended contribution to its pension plans and just 36 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

New Hampshire's management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.

Pensions **Retiree Health Care**

solid performer

needs improvement

serious concerns

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

NEW JERSEY

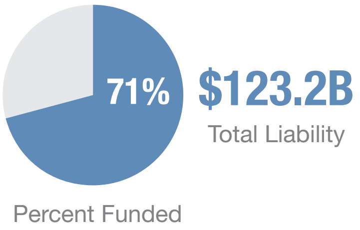
New Jersey failed to consistently pay its full annual pension contribution from 2005 to 2010. The system was 71 percent funded in fiscal year 2010 and faced a $36 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $71 billion bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

New Jersey lawmakers approved pension benefit cuts in 2010 and 2011, including increasing employee and taxpayer contributions, reducing annual cost-of-living increases for current and future retirees, raising the retirement age from 60 to 65 for new employees, and cutting final compensation for new employees. Lawmakers also increased employee contributions toward their retiree health care, reduced those benefits, and created a trust fund to help finance them.

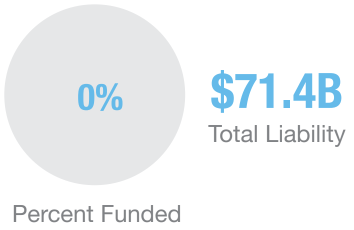
TOTAL BILL COMING DUE

New Jersey's retirement plans had a liability of $194.6 billion and the state has fallen $108 billion short in setting aside money to pay for it.

Pensions



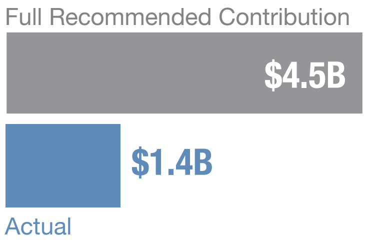
Retiree Health Care



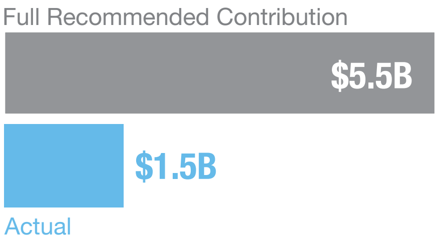
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, New Jersey only paid 32 percent of the recommended contribution to its pension plans and just 28 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

New Jersey's management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.

Pensions **Retiree Health Care**

solid performer needs improvement serious concerns

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

NEW MEXICO

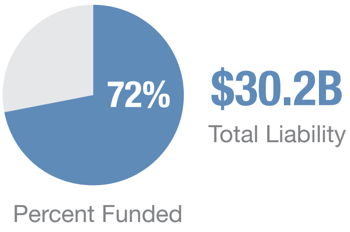
New Mexico failed to consistently pay its full annual pension contribution from 2005 to 2010. The pension system was 72 percent funded in fiscal year 2010 and faced an $8 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $3 billion bill for retiree health care costs, only 5 percent of which was funded, slightly below the 8 percent national average in 2010.

New Mexico lawmakers approved pension benefit cuts in 2009, 2010, and 2011, including increasing employee contributions while decreasing taxpayers' contributions, raising the retirement age to 67, and limiting double-dipping, in which employees drew a pension and a state salary at the same time. Lawmakers also increased employee and taxpayer contributions to the retiree health care plan.

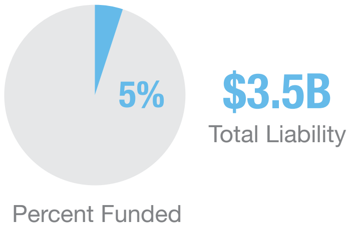
TOTAL BILL COMING DUE

New Mexico's retirement plans had a liability of $33.7 billion and the state has fallen $12 billion short in setting aside money to pay for it.

Pensions



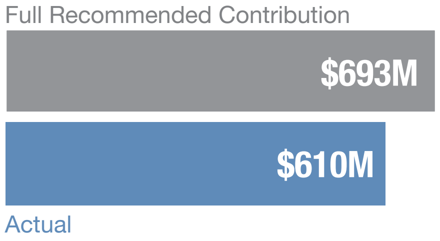
Retiree Health Care



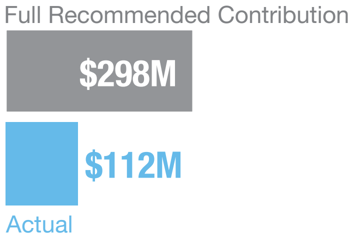
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, New Mexico only paid 88 percent of the recommended contribution to its pension plans and just 38 percent of what the state should have paid to fund retiree health benefits.

Pensions

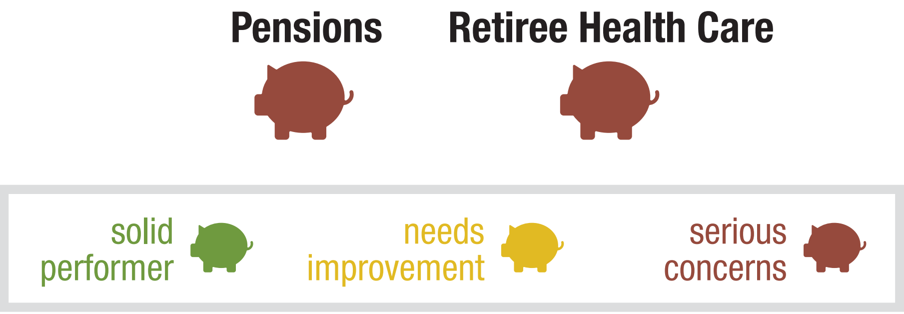


Retiree Health Care



HOW DID THIS STATE FARE?

New Mexico's management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.



The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

NEW YORK

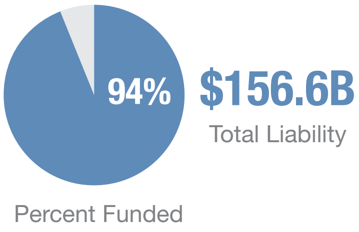
New York consistently paid its full annual pension contribution from 2005 to 2010, but the state pension system fell to 94 percent funded in fiscal year 2010—down from 100 percent in 2009—and faced a $9 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also has an $11 billion bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

New York lawmakers approved pension benefit cuts in 2009 and 2012, increasing employee contributions for new hires, raising the retirement age from 55 to 63, and changing the formula used to calculate pension benefits to provide a less generous check for retirees.

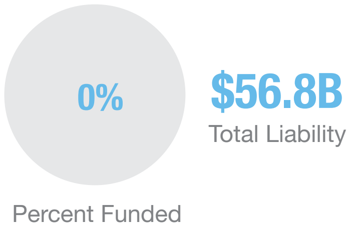
TOTAL BILL COMING DUE

New York's retirement plans had a liability of $213.4 billion and the state has fallen $66 billion short in setting aside money to pay for it.

Pensions



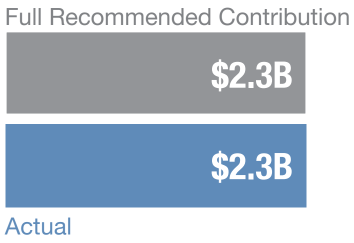
Retiree Health Care



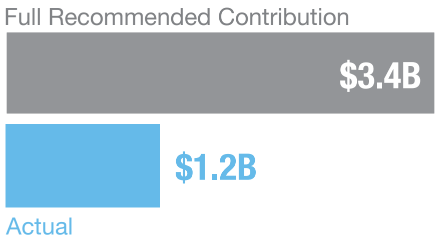
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, New York paid 100 percent of the recommended contribution to its pension plans and just 37 percent of what the state should have paid to fund retiree health benefits.

Pensions

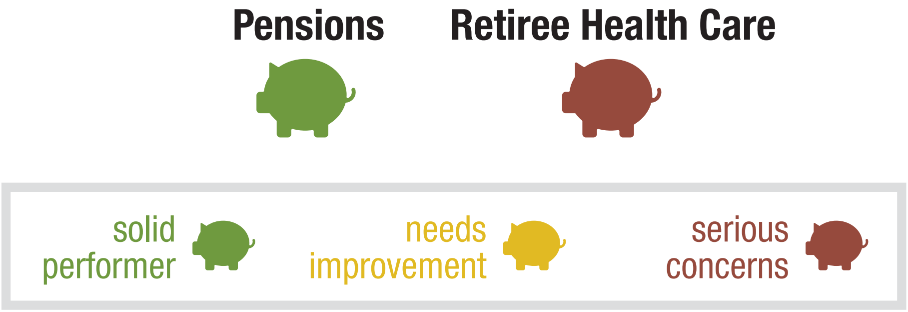


Retiree Health Care



HOW DID THIS STATE FARE?

New York was a **solid performer** at how it managed its long-term liabilities for pensions but was cause for **serious concern** for how it handled its bill for retiree health care.



The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

NORTH CAROLINA

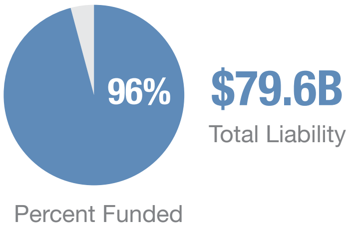
North Carolina consistently paid its full annual pension contribution from 2005 to 2010. While the pension system was 96 percent funded in fiscal year 2010—among the best in the country—it still faced a $3 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $33 billion bill for retiree health care costs, only 3 percent of which was funded, well below the 8 percent national average in 2010.

North Carolina lawmakers voted in 2011 to increase the vesting period for newly hired public employees, who now will need to work at least 10 years before they get to keep their pension benefits.

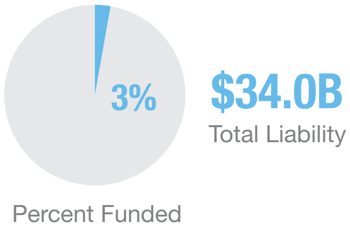
TOTAL BILL COMING DUE

North Carolina's retirement plans had a liability of $113.6 billion and the state has fallen $36 billion short in setting aside money to pay for it.

Pensions



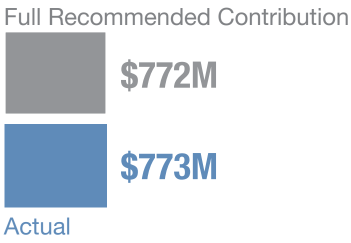
Retiree Health Care



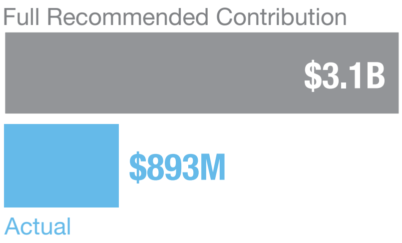
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, North Carolina paid 100 percent of the recommended contribution to its pension plans and just 29 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

North Carolina was a **solid performer** at managing its long-term liabilities for pensions but **needed to improve** how it handled its bill for retiree health care.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

NORTH DAKOTA

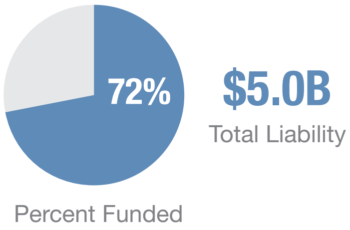
North Dakota failed to consistently pay its full annual pension contribution from 2005 to 2010. The system was 72 percent funded in fiscal year 2010 and faced a $1 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $113 million bill for retiree health care costs, 30 percent of which was funded, well above the 8 percent national average in 2010.

North Dakota lawmakers approved changes to the state's pension system in 2011, raising employee and taxpayer contributions and increasing the age and service requirements for teachers.

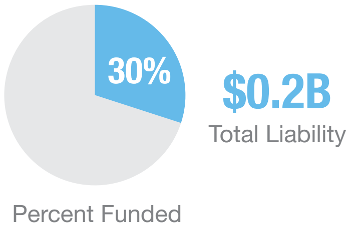
TOTAL BILL COMING DUE

North Dakota's retirement plans had a liability of $5.1 billion and the state has fallen $2 billion short in setting aside money to pay for it.

Pensions



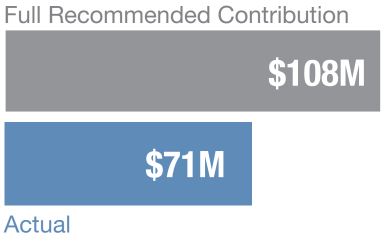
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, North Dakota only paid 66 percent of the recommended contribution to its pension plans and just 60 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

North Dakota's management of its long-term liabilities for pensions was cause for **serious concern** but the state was a **solid performer** in managing its retire health care bill.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

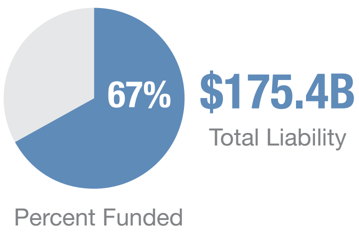
OHIO

Ohio failed to consistently pay its full annual pension contribution from 2005 to 2010. The system was 67 percent funded in fiscal year 2010 and faced a $58 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $43 billion bill for retiree health care costs, 32 percent of which was funded, well above the 8 percent national average in 2010.

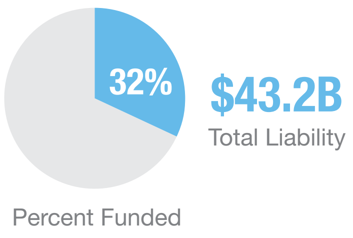
TOTAL BILL COMING DUE

Ohio's retirement plans had a liability of $218.6 billion and the state has fallen $87 billion short in setting aside money to pay for it.

Pensions



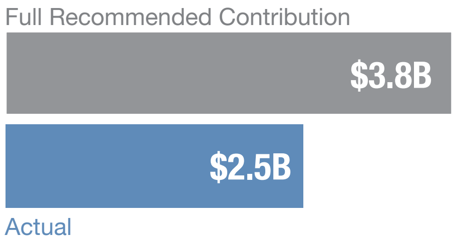
Retiree Health Care



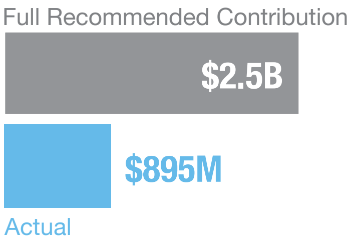
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Ohio only paid 67 percent of the recommended contribution to its pension plans and just 36 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Ohio's management of its long-term liabilities for pensions was cause for **serious concern** but the state was a **solid performer** in managing its retire health care bill.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

OKLAHOMA

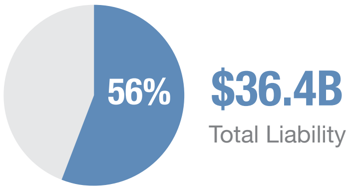
Oklahoma failed to consistently pay its full annual pension contribution from 2005 to 2010. The system was 56 percent funded in fiscal year 2010 and faced a $16 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state decided in 2008 that the health insurance available to its retirees did not qualify as a benefit. Oklahoma only acknowledges a minimal retiree health care obligation of about $3 million, none of which was funded, well below the 8 percent national average in 2010.

Oklahoma lawmakers in 2011 approved raising the retirement age for new employees from 62 to 65 and limiting annual cost-of-living increases for retirees.

TOTAL BILL COMING DUE

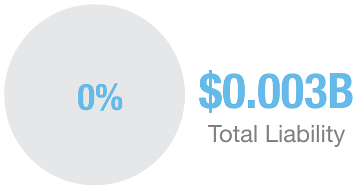
Oklahoma's retirement plans had a liability of $36.4 billion and the state has fallen $16 billion short in setting aside money to pay for it.

Pensions



Percent Funded

Retiree Health Care

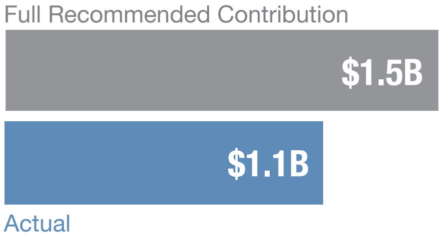


Percent Funded

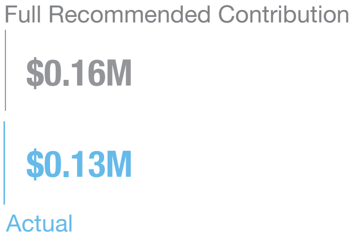
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Oklahoma only paid 70 percent of the recommended contribution to its pension plans and just 79 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Oklahoma's management of its long-term liabilities for pensions was cause for **serious concern** and the state did not get assessed for how it managed its retiree health care obligations.

Pensions	Retiree Health Care
serious concerns	Unassessed

solid performer · needs improvement · serious concerns

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

OREGON

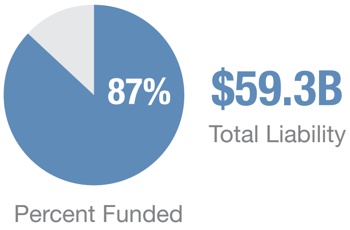
Oregon paid its full annual pension contribution four times from 2005 to 2010, and the system was 87 percent funded in fiscal year 2010 but still faced an $8 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $768 million bill for retiree health care costs, 31 percent of which was funded, well above the 8 percent national average in 2010.

Lawmakers have raised taxpayer contributions to the pension system and are considering other changes to their retirement system.

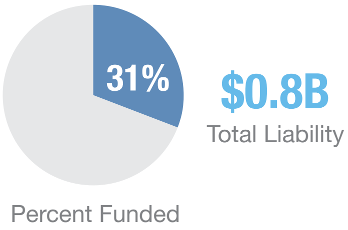
TOTAL BILL COMING DUE

Oregon's retirement plans had a liability of $60.1 billion and the state has fallen $8 billion short in setting aside money to pay for it.

Pensions



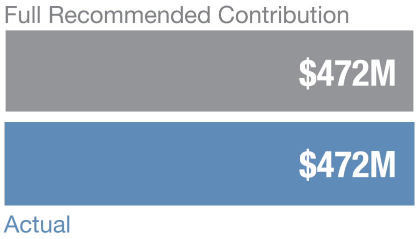
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Oregon paid 100 percent of the recommended contribution to its pension plan and just 69 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Oregon **needed to improve** how It handled its long-term liabilities for pensions and was a **solid performer** at handling its retiree health care bill.

Pensions	Retiree Health Care
🟨	🟩

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

PENNSYLVANIA

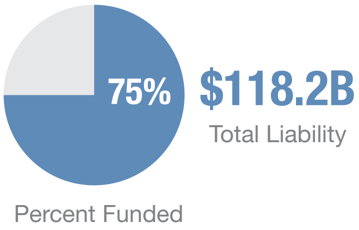
Pennsylvania failed to consistently pay its full annual pension contribution from 2005 to 2010. The system was 75 percent funded in fiscal year 2010 and faced a $29 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $17 billion bill for retiree health care costs, less than 2 percent of which was funded, well below the 8 percent national average in 2010.

Pennsylvania lawmakers in 2010 approved increasing employee contributions, raising the retirement age from 62 to 65, extending the vesting requirement from 5 years to 10 years, and capping benefits—all for new employees.

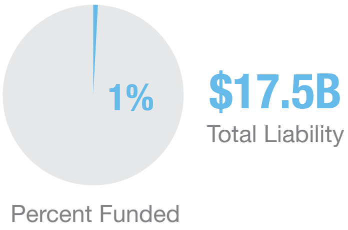
TOTAL BILL COMING DUE

Pennsylvania's retirement plans had a liability of $135.6 billion and the state has fallen $47 billion short in setting aside money to pay for it.

Pensions



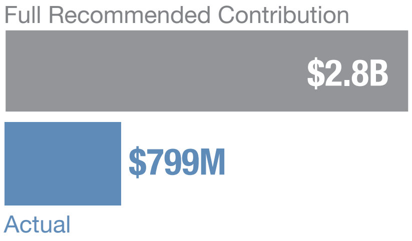
Retiree Health Care



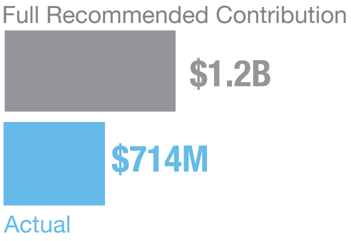
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Pennsylvania only paid 29 percent of the recommended contribution to its pension plans and just 59 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Pennsylvania's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

RHODE ISLAND

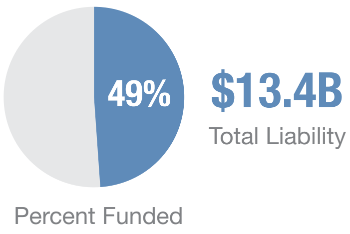
Although Rhode Island consistently paid its full annual pension contribution from 2005 to 2010, the system was 49 percent funded in fiscal 2010 and faced a $7 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $775 million bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Rhode Island in 2011 addressed its pension funding challenge with an unprecedented package of reforms that is estimated to reduce the state's unfunded liability by $3 billion. It became the first state to change core benefits for current workers. Lawmakers put all workers in a hybrid plan that combines elements of defined benefit and defined contribution plans. They also limited annual cost-of-living increases, reduced the vesting period from 10 years to 5 years, changed the formula used to calculate benefits, and raised the retirement age from 62 to 67.

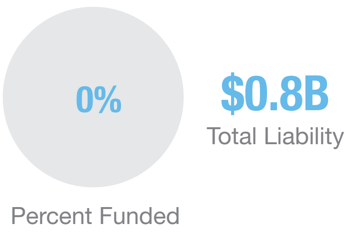
TOTAL BILL COMING DUE

Rhode Island's retirement plans had a liability of $14.2 billion and the state has fallen $8 billion short in setting aside money to pay for it.

Pensions



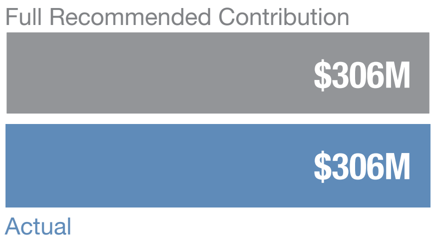
Retiree Health Care



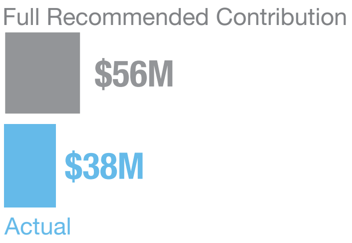
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Rhode Island paid 100 percent of the recommended contribution to its pension plans and just 69 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Rhode Island's management of its long-term liabilities for pensions and retiree health care was cause for **serious concern**.

Pensions **Retiree Health Care**

solid performer needs improvement serious concerns

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

SOUTH CAROLINA

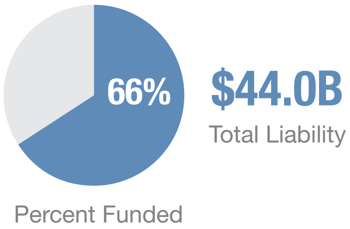
Although South Carolina consistently paid its full annual pension contribution from 2005 to 2010, the system was 66 percent funded in fiscal year 2010 and faced a $15 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $9 billion bill for retiree health care costs, only 5 percent of which was funded, slightly below the 8 percent national average in 2010.

South Carolina lawmakers are considering legislation this year that would increase employee contributions, change the formula used to calculate benefits to provide a lower amount, and limit annual cost-of-living adjustments.

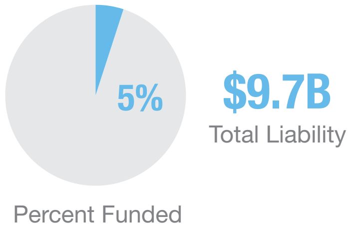
TOTAL BILL COMING DUE

South Carolina's retirement plans had a liability of $53.6 billion and the state has fallen $24 billion short in setting aside money to pay for it.

Pensions



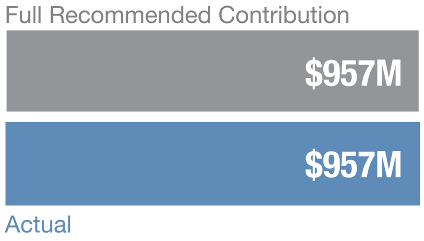
Retiree Health Care



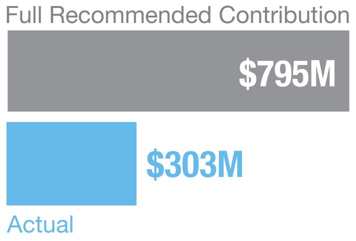
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, South Carolina paid 100 percent of the recommended contribution to its pension plans and just 38 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

South Carolina's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

SOUTH DAKOTA

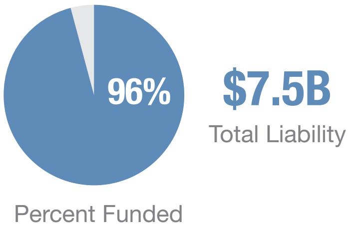
South Dakota paid its full annual pension contribution four times from 2005 to 2010. The system was 96 percent funded in fiscal year 2010 and faced a $291 million funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $71 million bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

South Dakota lawmakers approved pension benefit cuts in 2010, including establishing longer vesting periods and limiting the annual cost-of-living increase for current and future retirees.

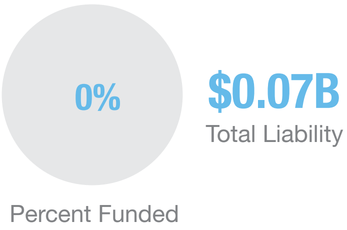
TOTAL BILL COMING DUE

South Dakota's retirement plans had a liability of $7.6 billion and the state has fallen $0.4 billion short in setting aside money to pay for it.

Pensions



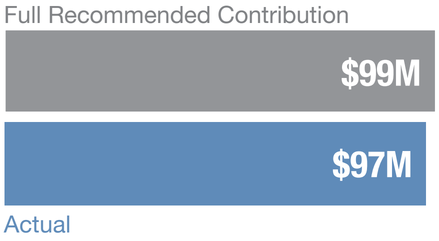
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, South Dakota paid 98 percent of the recommended contribution to its pension plans and just 39 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

South Dakota was a **solid performer** at how it managed its long-term liabilities for pensions but was cause for **serious concern** for how it handled its bill for retiree health care.

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

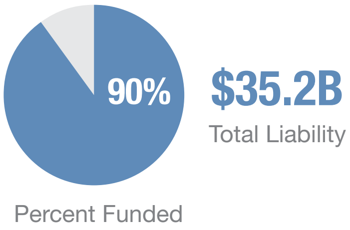
TENNESSEE

Tennessee consistently made its full annual pension contribution between 2005 and 2010. The system was 90 percent funded in fiscal year 2010, and faced a $4 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $2 billion bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

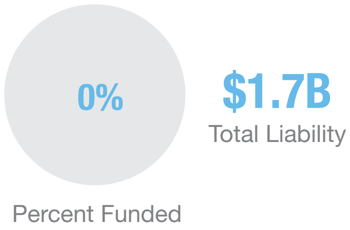
TOTAL BILL COMING DUE

Tennessee's retirement plans had a liability of $36.9 billion and the state has fallen $5 billion short in setting aside money to pay for it.

Pensions



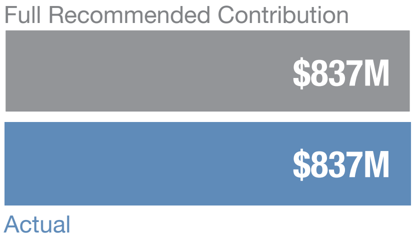
Retiree Health Care



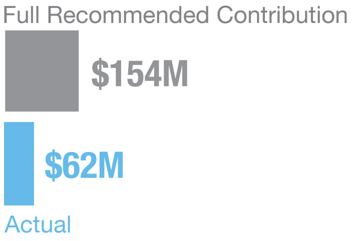
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Tennessee paid 100 percent of the recommended contribution to its pension plans and just 40 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Tennessee was a **solid performer** at how it managed its long-term liabilities for pensions but was cause for **serious concern** for how it handled its bill for retiree health care.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

TEXAS

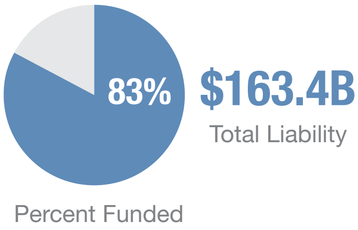
Texas failed to pay its full annual pension contribution four times from 2005 to 2010. The system was 83 percent funded in fiscal year 2010 and faced a $27 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $55 billion bill for retiree health care costs, only 1 percent of which was funded, well below the 8 percent national average in 2010.

Texas lawmakers approved pension benefit cuts in 2009 and 2011, including raising the retirement age from 60 to 65, changing the formula calculating benefits, and increasing employee contributions. Lawmakers also increased employee contributions to their retiree health care.

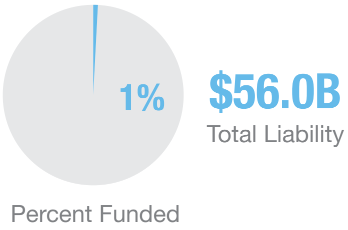
TOTAL BILL COMING DUE

Texas' retirement plans had a liability of $219.4 billion and the state has fallen $82 billion short in setting aside money to pay for it.

Pensions



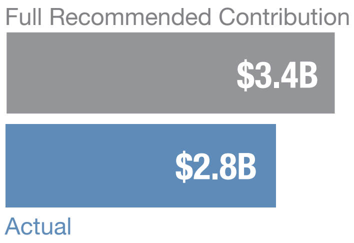
Retiree Health Care



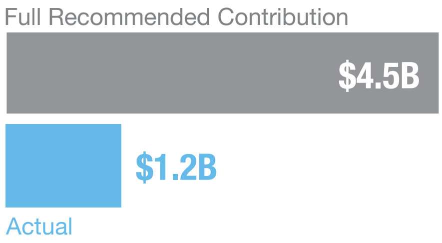
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Texas only paid 82 percent of the recommended contribution to its pension plans and just 26 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Texas was a **solid performer** at how it managed its long-term liabilities for pensions but was cause for **serious concern** for how it handled its bill for retiree health care.

Pensions	Retiree Health Care
🟩	🟥

🟩 solid performer 🟨 needs improvement 🟥 serious concerns

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

UTAH

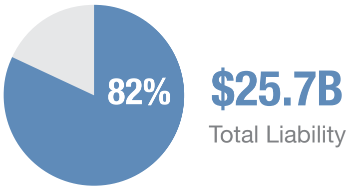
Utah paid its full annual pension contribution from 2005 to 2010, but the system was 82 percent funded in fiscal year 2010 and still faced a $5 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $400 million bill for retiree health care costs, 22 percent of which was funded, well above the 8 percent national average in 2010.

Utah lawmakers approved a significant restructuring of the state's pension system in 2010, closing the traditional defined benefit plan and replacing it by offering new employees a choice between a 401(k)-style defined contribution plan or a hybrid plan that combines features of defined benefit and defined contribution plans.

TOTAL BILL COMING DUE

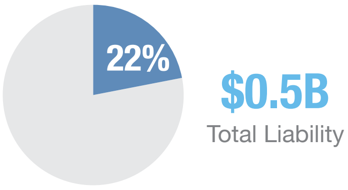
Utah's retirement plans had a liability of $26.2 billion and the state has fallen $5 billion short in setting aside money to pay for it.

Pensions



Percent Funded

Retiree Health Care



Percent Funded

ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Utah paid 100 percent of the recommended contribution to its pension plans and 96 percent of what the state should have paid to fund retiree health benefits.

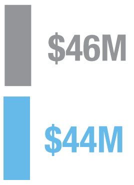
Pensions

Full Recommended Contribution

Actual

Retiree Health Care

Full Recommended Contribution



Actual

HOW DID THIS STATE FARE?

Utah **needed to improve** how it handled its long-term liabilities for pensions and was a **solid performer** at handling its retiree health care bill.

Pensions	Retiree Health Care
🟨	🟩

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

VERMONT

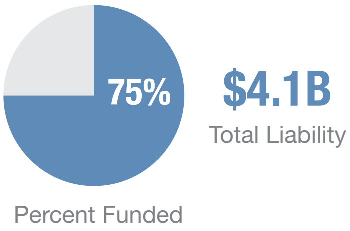
Vermont failed to pay its full annual pension contribution from 2005 to 2010. The system was 75 percent funded in fiscal year 2010 and faced a $1 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $2 billion bill for retiree health care costs, less than 1 percent of which was funded, well below the 8 percent national average in 2010.

Vermont lawmakers in 2009 and 2010 approved increasing employee contributions and raising the retirement age from 62 to 65 for some employees. They also boosted the size of pension checks for teachers, and they created a trust fund to finance retiree health care bills.

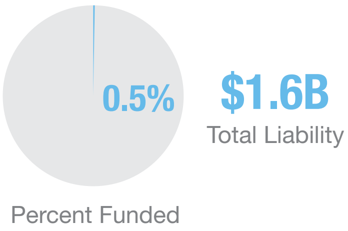
TOTAL BILL COMING DUE

Vermont's retirement plans had a liability of $5.7 billion and the state has fallen $3 billion short in setting aside money to pay for it.

Pensions



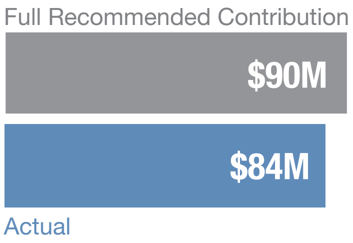
Retiree Health Care



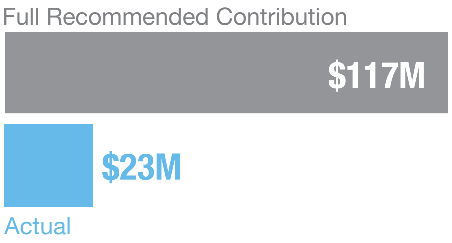
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Vermont paid 94 percent of the recommended contribution to its pension plans and just 19 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Vermont **needed to improve** how it managed its long-term liabilities for pensions and retiree health care.

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

VIRGINIA

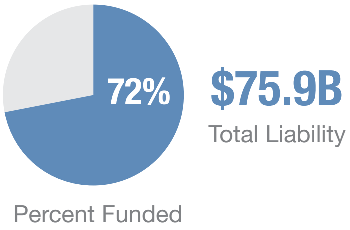
Virginia failed to pay its full annual pension contribution from 2005 to 2010. The system was 72 percent funded in fiscal year 2010 and faced a $21 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $6 billion bill for retiree health care costs, 26 percent of which was funded, well above the 8 percent national average in 2010.

Virginia lawmakers approved pension benefit changes in 2010, 2011, and 2012. Newly hired employees now will belong to a hybrid plan that combines features of defined benefit and defined contribution plans. Lawmakers also reduced annual cost-of-living increases, raised current and future employee contributions, lengthened service requirements, and limited early retirement benefits.

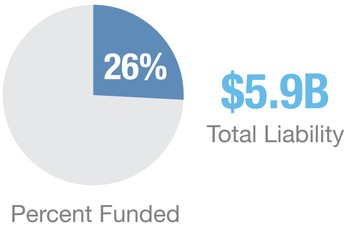
TOTAL BILL COMING DUE

Virginia's retirement plans had a liability of $81.8 billion and the state has fallen $26 billion short in setting aside money to pay for it.

Pensions



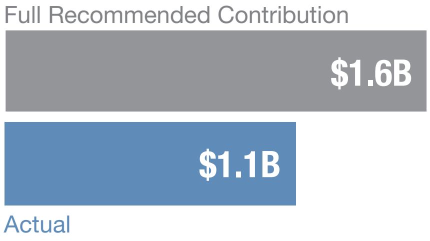
Retiree Health Care



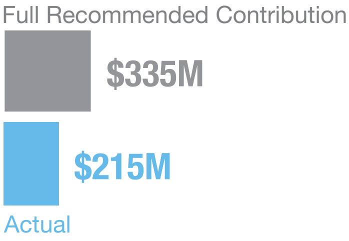
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Virginia only paid 67 percent of the recommended contribution to its pension plans and just 64 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Virginia's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

Pensions	**Retiree Health Care**
🟥	🟨

solid performer 🟩　needs improvement 🟨　serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

WASHINGTON

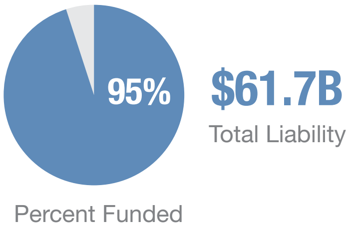
Washington consistently failed to pay its full annual pension contribution between 2005 and 2010. The system was 95 percent funded in fiscal year 2010 and faced a $3 billion funding gap—the system's funding level has gradually declined from a high of 126 percent in 2000. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $7 billion bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Washington lawmakers in 2011 approved eliminating or limiting annual cost-of-living increases for retirees in two plans and lowering taxpayer contributions to the pension system.

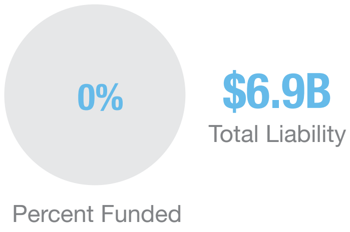
TOTAL BILL COMING DUE

Washington's retirement plans had a liability of $68.7 billion and the state has fallen $10 billion short in setting aside money to pay for it.

Pensions



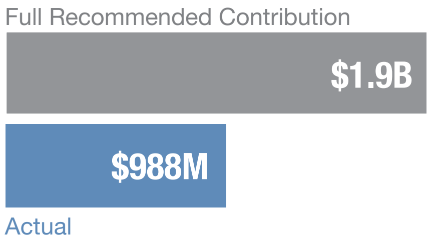
Retiree Health Care



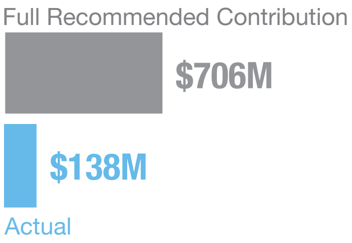
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Washington only paid 53 percent of the recommended contribution to its pension plans and just 20 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Washington **needed to improve** how it managed its long-term liabilities for pensions and was cause for **serious concern** in how it handled its bill for retiree health care.

Pensions	Retiree Health Care
🟨	🟥

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

WEST VIRGINIA

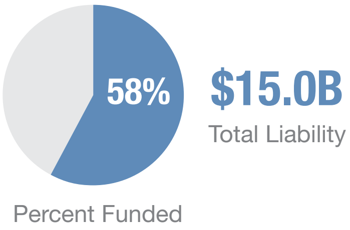
West Virginia failed to pay its full annual pension contribution twice from 2005 to 2010. The system was 58 percent funded in fiscal year 2010 and faced a $6 billion funding gap in 2010 because of its pension liabilities. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $7 billion bill for retiree health care costs, 6 percent of which was funded, slightly below the 8 percent national average in 2010.

West Virginia lawmakers approved pension benefit cuts in 2011, including raising the service requirements for new employees and limiting compensation included in final average salaries. Lawmakers also were the first in the nation to pledge tax revenue to help finance West Virginia's retiree health care burden, agreeing in 2012 to set aside $30 million a year in personal income tax collections for that purpose.

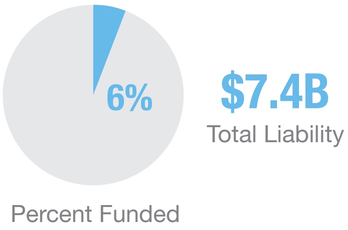
TOTAL BILL COMING DUE

West Virginia's retirement plans had a liability of $22.4 billion and the state has fallen $13 billion short in setting aside money to pay for it.

Pensions



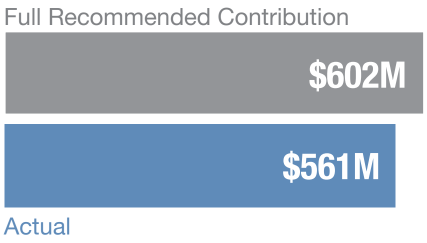
Retiree Health Care



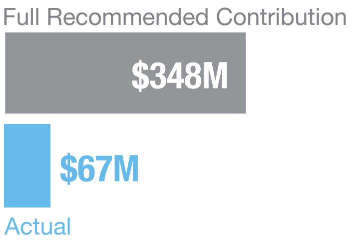
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, West Virginia paid 93 percent of the recommended contribution to its pension plans and just 19 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

West Virginia's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

Pensions 🟥

Retiree Health Care 🟨

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update WISCONSIN

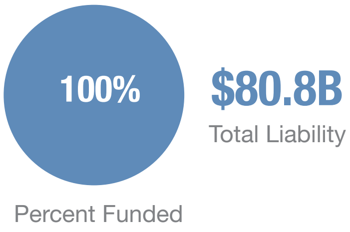
Wisconsin paid its full annual pension contribution from 2005 to 2010, and the pension system was fully funded in fiscal year 2010, facing only a $132 million funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $2 billion bill for retiree health care costs, 38 percent of which was funded, well above the 8 percent national average in 2010.

Wisconsin lawmakers approved changes to the state's pension system in 2011, including increasing employee contributions and changing the vesting requirements for new employees to five years.

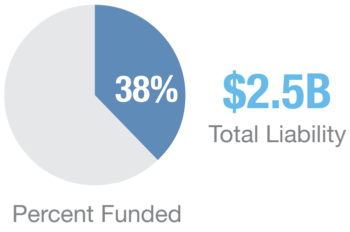
TOTAL BILL COMING DUE

Wisconsin's retirement plans had a liability of $83.3 billion and the state has fallen $2 billion short in setting aside money to pay for it.

Pensions



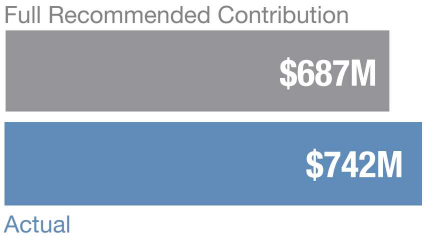
Retiree Health Care



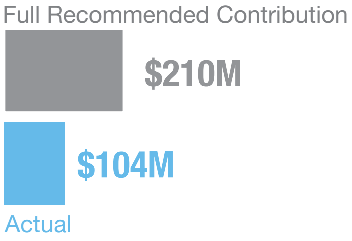
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Wisconsin paid 108 percent of the recommended contribution to its pension plan and just 49 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Wisconsin was a **solid performer** in how it managed its long-term liabilities for pensions and retiree health care.

Pensions	Retiree Health Care
🟩	🟩

🟩 solid performer 🟨 needs improvement 🟥 serious concerns

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.

The Widening Gap Update

WYOMING

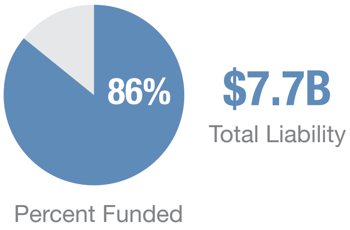
Wyoming failed to pay its full annual pension contribution three times from 2005 to 2010. The pension system was 86 percent funded in fiscal year 2010 and faced a $1 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $261 million bill for retiree health care costs, none of which was funded, well below the 8 percent national average in 2010.

Wyoming lawmakers approved pension benefit cuts in 2010 and 2012, including increasing employee contributions for some plans, raising the retirement age from 60 to 65, eliminating annual cost-of-living increases, and changing the formula used to calculate benefits.

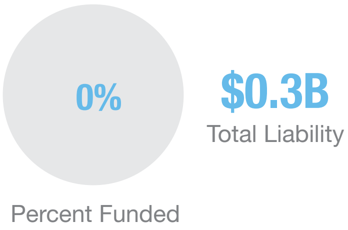
TOTAL BILL COMING DUE

Wyoming's retirement plans had a liability of $8 billion and the state has fallen $1 billion short in setting aside money to pay for it.

Pensions



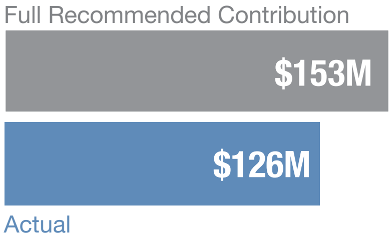
Retiree Health Care



ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Wyoming only paid 82 percent of the recommended contribution to its pension plans and just 35 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care

HOW DID THIS STATE FARE?

Wyoming was a **solid performer** at how it managed its long-term liabilities for pensions but was cause for **serious concern** for how it handled its bill for retiree health care.

Pensions	**Retiree Health Care**
🟩	🟥

solid performer 🟩 needs improvement 🟨 serious concerns 🟥

The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at **www.pewstates.org**.