



ARIZONA IS A NATIONAL LEADER for responsible funding of both its pension plans and its future retiree health costs. It is one of just six states on track to fully fund the bill coming due for its non-pension obligations. It has a jump on other states because it has made a practice of setting aside money for future retiree health costs as part of its pension system. (Most states have been paying the costs for current retirees, but only 13 have also set aside money for the future.) In addition, the state's retiree health benefits are modest. Arizona is one of a few states that contributes a set and defined amount to a retiree's health benefits, which limits its vulnerability to increases in medical costs.

PENSIONS

TOTAL BILL COMING DUE: **\$34 billion**¹


FUNDS SET ASIDE: **\$29 billion**

PORTION UNFUNDED: **\$5 billion**

PERCENT FUNDED: **85 as of 2006**²


TEN YEAR FUNDING HIGH: **122% in 2000**

TEN YEAR FUNDING LOW: **85% in 2006**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: The state employee pension system for Arizona assumed an 8% rate of interest on pension investments as of 2006, similar to the 50-state median, but the state's smaller funds have had a somewhat higher investment assumption of 8.5%. The state's main employee fund shifted from a five-year to a 10-year smoothing period for calculating the actuarial value of assets in 2004, which means that a drop in the market is likely to have less immediate impact than in many other states. The amortization period conforms to accounting standards.

1 Pension funds include state employees, public safety and corrections employees, and elected officials.
 2 50-state mean was 82%.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.


OTHER BENEFITS

TOTAL BILL COMING DUE: **\$1.51 billion**¹

FUNDS SET ASIDE: **\$1.09 billion**

PORTION UNFUNDED: **\$420 million**²

PERCENT FUNDED: **72 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

1 About \$421 million is for state employees.
 2 5% of covered payroll, compared to a national median of 135%.

REFORMS: In 2006, Arizona established stabilization reserve accounts for its smaller pension funds (like public safety and corrections) to help ensure funding during difficult budget periods. It allowed managers of these funds to extend the amortization period beyond 20 years (but still at a level that conforms to generally accepted accounting principles), and raised the contribution level for some employers, according to the National Conference of State Legislatures. The previous year, the legislature tightened up rules for receiving long-term disability.



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