



MARYLAND RANKS REASONABLY WELL among the states in funding its pension system. But at \$14.5 billion, the bill coming due for its non-pension retiree benefits is nearly twice what the state owes on its pensions. Maryland has started to put a little money aside (\$100 million in the 2007 budget) to pay this bill, but not nearly enough. If the state opts to move toward full funding of its non-pension benefits, putting the money in a qualified trust, actuaries have calculated that it will require \$772 million annually compared to the \$236 million Maryland paid for current retirees in 2006. By pre-funding this obligation, Maryland could reduce its \$14.5 billion obligation to \$9 billion.

PENSIONS

TOTAL BILL COMING DUE: **\$44 billion¹**


FUNDS SET ASIDE: **\$36 billion**

PORTION UNFUNDED: **\$8 billion**

PERCENT FUNDED: **82 as of 2006²**

TEN YEAR FUNDING HIGH: **101% in 2000**

TEN YEAR FUNDING LOW: **82% in 2006**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Maryland assumes a rate of return of 7.75% for most of its plans, which is slightly under the 8% median for the 50 states. It uses a five-year smoothing period to calculate the actuarial value of assets, similar to most states. The amortization period conforms to accounting standards.

¹ Pension funds include teachers, state employees, judges, state police, law enforcement officers and transit administration.

² 50-state mean was 82%.


OTHER BENEFITS

TOTAL BILL COMING DUE: **\$14.5 billion**

FUNDS SET ASIDE: **\$0¹**

PORTION UNFUNDED: **\$14.5 billion²**

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ As of 2006; the state set aside \$100 million in the 2007 budget.

² 362% of covered payroll, compared to a national median of 135%.

REFORMS: Maryland gave state employees and teachers an option of increased pension benefits in 2006, along with increased employee contributions to pay for them. The governor has proposed setting aside additional money in 2008 for the state's non-pension benefit obligation. But moving toward full funding would require a substantially greater contribution. The General Assembly set up a blue-ribbon commission to review its non-pension liability and funding options. The commission's report is due by December 31, 2008. In recent years, the state has also substantially reformed its pension governance practices.

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.



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