



North Carolina

ONE OF JUST FIVE STATES with a fully funded pension in 2006, North Carolina has been fiscally responsible, generally paying the full annual required contribution to its pension systems every year. But retiree health and other non-pension benefits may put a strain on the state's budget. The bill coming due for those benefits has been calculated at \$23.9 billion, of which about 48% is for state employees. The annual required contribution to fully fund this long-term obligation is \$2.4 billion, about four and half times what the state paid for retiree medical benefit claims in 2006.

PENSIONS

TOTAL BILL COMING DUE: **\$62 billion¹**

FUNDS SET ASIDE: **\$65 billion**

PORTION UNFUNDED: **\$0**

PERCENT FUNDED: **105 as of 2006²**

TEN YEAR FUNDING HIGH: **110% in 2001**

TEN YEAR FUNDING LOW: **99% in 1998**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: North Carolina is conservative in its investment return assumptions compared with other states, assuming a 7.25% annual return (the median for the 50 states is 8%). As with the majority of states, it uses a five-year smoothing period to calculate the actuarial value of assets. The amortization period conforms to accounting standards.

¹ Pension funds include state employees, teachers, fire and rescue workers, and judicial, local and national guard employees.

² 50-state mean was 82%.

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$23.9 billion¹**

FUNDS SET ASIDE: **\$139 million**

PORTION UNFUNDED: **\$23.8 billion²**

PERCENT FUNDED: **.5 as of 2006**


HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ \$11.4 billion is for state employees.

² 192.4% of covered payroll, compared to a national median of 135%.

REFORMS: In 2006, the North Carolina General Assembly increased to 20 years the time that new employees need to work to qualify for fully subsidized retiree health benefits. For employees with between 10 and 20 years of service, the state will gradually increase the portion of benefits paid from 50% to 100%, depending on the number of years served. This is a fairly dramatic change, since all employees have previously vested in the plan after five years of service. The reform only applies to employees hired after October 2006, so it will take a while for it to have a profound financial effect. The state also set up a trust fund for retiree health several years ago.

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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