



**STATES' FISCAL HEALTH DEPENDS GREATLY ON THEIR ABILITY TO WISELY MANAGE THE BILLS COMING DUE.** Today, states' retiree pensions and other benefits represent a bill of at least \$2.73 trillion over the next several decades. Added together, states have saved enough to cover about 85% of their long-term pensions costs—but only about 3% for retiree health care and other non-pension benefits. All told, states have set aside about \$2 trillion to pay for promises to their retired employees, but still need to come up with an additional \$731 billion to cover their long-term obligations. To meet this challenge, a growing number of states are setting aside money, restructuring benefits and strengthening the governance and oversight of their retirement benefit systems.

### PENSIONS

TOTAL BILL COMING DUE: **\$2.35 trillion<sup>1</sup>**


FUNDS SET ASIDE: **\$1.99 trillion**

PORTION UNFUNDED: **\$361 billion**

PERCENT FUNDED: **85 as of 2006<sup>2</sup>**  
(reflects the national total)


TEN YEAR FUNDING HIGH: **97% in 2000**

TEN YEAR FUNDING LOW: **82% in 2006** (reflects the average for individual state plans)

HOW ARE THE 50 STATES DOING IN PAYING THEIR ANNUAL BILL? 

**ASSUMPTIONS:** The long-term costs of states' retiree benefits are based on a number of variables, the future values of which are unknown. States' actuaries try to reasonably estimate a wide array of assumptions including projections of investment returns, retiree life span, and inflation rates. Each of these is based on enormously complex calculations and has a dramatic impact on the way plans are managed. For example, a single percentage change in a state's assumed rate of return on its investments may not seem like a lot, but it can represent hundreds of millions of dollars to a large plan. These assumptions directly impact the final calculation of a state's retiree bill coming due and the annual payment required to meet its obligations.

1 Reflects obligations for a variety of plans administered at the state level, including for teachers.  
 2 This figure reflects the fact that bigger states have better-funded plans. That is why this aggregate number differs from the "ten year funding low" of 82%, which reflects the average funding level of the 50 states.

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


### OTHER BENEFITS

TOTAL BILL COMING DUE: **\$381 billion<sup>1</sup>**

FUNDS SET ASIDE: **\$11 billion<sup>2</sup>**

PORTION UNFUNDED: **\$370 billion**

PERCENT FUNDED: **3 as of 2006**

HOW ARE THE 50 STATES DOING IN PAYING THEIR ANNUAL BILL? 

1 For state employees alone; excludes obligations for teachers and other local government workers  
 2 This figure breaks out assets associated with state employee plans. When all elements of cost-sharing plans are included, the assets total \$18 billion

**REFORMS:** In the last few years, most states have been cautious about adding pension benefits, and some have put in place reforms to try to control costs and improve the stability of their pension systems. These include increasing their annual payments toward their long-term obligations, raising the retirement age, closing loopholes that allow employees to inflate the amount they collect after retirement, and offering hybrid plans that combine elements of both defined contribution and defined benefit plans. To deal with retiree health care costs, more than a dozen states have set up trusts in which to save money for the future. Some states are increasing premiums and co-pays, raising the number of years of employment required for lifetime or fully subsidized benefits, requiring retirees to join Medicare advantage prescription drug programs, promoting wellness programs, and joining with localities to bundle their plans under a single administrative umbrella.



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