



**TENNESSEE STANDS OUT NATIONALLY** for the strength of its pension system—but it has not set aside any money to address the bill coming due for its retiree health benefits. The state is exceedingly close to achieving full funding for its pension funds, in part because it has a strong record of paying the full annual required contribution each year. The state also has been extremely stable in its funding ratio, probably because it has one of the highest percentages of fixed income investments and a smaller investment in stocks than other states. On the non-pension side, retiree health care and other benefits are modest relative to most other states, amounting to \$382 per capita compared with a median unfunded liability of \$774 per capita. Even so, Tennessee’s \$2.3 billion unfunded obligation for its non-pension benefits for state employees is more than six times its small, unfunded liability for pensions.

**PENSIONS**

TOTAL BILL COMING DUE: **\$28.1 billion**<sup>1</sup>


FUNDS SET ASIDE: **\$27.8 billion**

PORTION UNFUNDED: **\$366 million**

PERCENT FUNDED: **98.7 as of 2006**<sup>2</sup>

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

TEN YEAR FUNDING LOW: **98% in 2002**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

**ASSUMPTIONS:** Tennessee assumes a lower return on investments (7.5%) for its pension systems than the 50-state median (8%). Like 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.

<sup>1</sup> Pension funds include state employees, teachers, higher education employees, and employees of county and other small governments in the state.

<sup>2</sup> 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](http://www.pewcenteronthestates.org).


**OTHER BENEFITS**

TOTAL BILL COMING DUE: **\$2.3 billion**

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$2.3 billion**<sup>1</sup>

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

<sup>1</sup> \$382 per capita, compared to a national median in other states of \$774 per capita.

**REFORMS:** Tennessee has made no significant reforms in recent years, according to the National Conference of State Legislatures.



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