



VIRGINIA HAS A MODEST BILL coming due for retiree health care benefits for its public sector employees—about \$3 billion. With about \$682 million socked away, the Commonwealth was one of just 13 states with any funds set aside as of the end of 2006 to cover its non-pension benefit costs over the next 30 years. On the pensions side, Virginia’s funds aren’t in as healthy shape as they used to be, and the state has stumbled a bit in making its full annual contributions toward its long-term obligation. The funding ratio of Virginia’s pension plans dropped fairly substantially between 2001 and 2005, and in the last 10 years, the Commonwealth has frequently made less than the annual required contribution, as set by its own actuaries. Still, the current pension funding level is close to the 50-state mean.

PENSIONS

TOTAL BILL COMING DUE: **\$51.7 billion**¹


FUNDS SET ASIDE: **\$41.7 billion**

PORTION UNFUNDED: **\$10 billion**

PERCENT FUNDED: **81 as of 2005**²

TEN YEAR FUNDING HIGH: **106% in 2001**

TEN YEAR FUNDING LOW: **79% in 1997**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Virginia switched to using a 7.5% interest assumption on pension investments in 2006, down from 8% in previous years (8% is the 50-state median). In 2004, the state changed from using a modified market approach for calculating the actuarial value of assets to a five-year smoothing period, which is used by most states. The amortization period conforms to accounting standards.

¹ Pension funds include state employees, state police, law enforcement officers and judicial employees.

² 50-state mean was 82% in 2006; Virginia’s 2006 figure was not available at the time of Pew’s report.

KEY:  Top Performer  Needs Improvement


OTHER BENEFITS

TOTAL BILL COMING DUE: **\$3 billion**¹

FUNDS SET ASIDE: **\$682 million**

PORTION UNFUNDED: **\$2.3 billion**²

PERCENT FUNDED: **23 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ Based on a long-term discount rate of 7.5%, which assumes the state will pre-fund the liability.

² 62% of covered payroll, compared to a national median of 135%.

REFORMS: In 2007, Virginia authorized local governments and school districts to establish trusts to fund non-pension benefits. The state also removed its \$120 monthly cap on its cash subsidy for retiree health insurance. (Employees are awarded \$4 per month in health insurance credits for each year they serve.) The state improved public disclosure of changes in assumptions and actuarial methods, and required its pension systems to use consistent, generally accepted actuarial standards.

 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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