



West Virginia

WHEN IT COMES TO PENSION FUNDING LEVELS, West Virginia—with about 55% of its aggregate pension obligations covered—lags behind every other state. Just four years ago, however, the situation looked much worse. In recent years, West Virginia stands out for responsibly funding its annual required contribution to its pension plans. It also was one of the speediest states in taking action to reduce its sizeable liability for non-pension benefits—mostly retiree health care. The state, along with a dozen others, established an irrevocable trust in 2007 in which to set aside assets for funding those benefits. It also increased co-payments for retirees and reduced costs by requiring that most retirees participate in a Medicare advantage prescription drug program. West Virginia’s intention to at least partially fund its non-pension benefits, along with aggressive cost-containment efforts, resulted in a significant drop in the state’s long-term bill—from \$7.8 billion in the initial valuation to \$3.4 billion in a subsequent valuation in April 2007.

PENSIONS

TOTAL BILL COMING DUE: **\$11.8 billion**¹

FUNDS SET ASIDE: **\$6.5 billion**

PORTION UNFUNDED: **\$5.3 billion**

PERCENT FUNDED: **55 as of 2006**²

TEN YEAR FUNDING HIGH: **55% in 2006**

TEN YEAR FUNDING LOW: **39% in 2003**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: West Virginia assumed an investment return of 7.5% as of 2006, below the 50-state median of 8%. It’s one of a handful of states that values its assets on a fair market basis rather than smoothing out gains and losses over time. This means that a downturn or upswing in the stock market will be reflected in its pension funding levels immediately. The amortization period conforms to accounting standards.

¹ Pension funds include public employees, teachers, public safety and sheriffs’ personnel, state police and judges.

² 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.

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$3.4 billion**¹

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$3.4 billion**²

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ As of April 2007; \$7.8 billion in the original actuarial valuation.

² As of 2006; \$39 million was deposited in a trust in 2007, with another deposit expected by year’s end.

REFORMS: In 2005, the West Virginia legislature closed its defined contribution plan for teachers and reopened the Teachers Retirement System defined benefit plan that had been shut down in 1991. (The legislation that consolidated the two plans was subsequently ruled unconstitutional by the Kanawha County Circuit Court and the decision is being appealed, according to the National Conference of State Legislatures.) In 2005, voters rejected Governor Manchin’s plan to repair the state’s poorly funded retirement system by selling \$5.5 billion in bonds. In 2007, the state set up an irrevocable trust for its non-pension benefits.