



The Widening Gap Update

MAINE

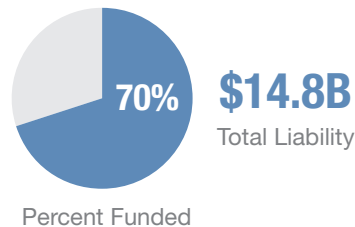
Although Maine paid, or exceeded, its full annual pension contribution from 2005 to 2010, the system was 70 percent funded in fiscal year 2010 and faced a \$4 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a \$3 billion bill for retiree health care costs, only 6 percent of which was funded, slightly below the 8 percent national average in 2010.

Maine lawmakers approved pension cuts in 2011, including freezing and reducing the annual cost-of-living increase for retirees and raising the retirement age from 62 to 65 for current employees with less than five years of service. Maine also created a trust fund to prefund its retiree health care liability.

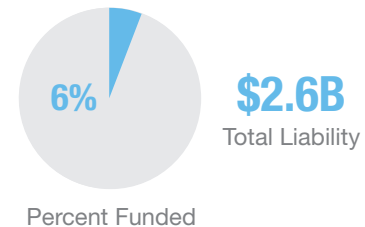
TOTAL BILL COMING DUE

Maine's retirement plans had a liability of \$17.4 billion and the state has fallen \$7 billion short in setting aside money to pay for it.

Pensions



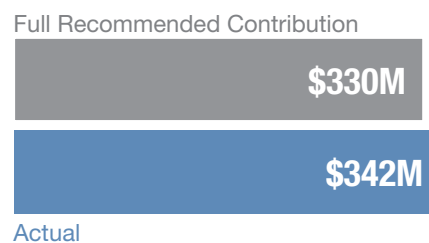
Retiree Health Care



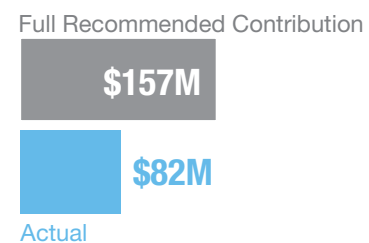
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Maine paid 103 percent of the recommended contribution to its pension plan and just 52 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Maine's management of its long-term liabilities for pensions was cause for **serious concern** and the state **needed to improve** how it managed its bill for retiree health care.

Pensions



Retiree Health Care



The grades for pensions and retiree health benefits assess how well the states have managed these liabilities. The pension grade is based on being above 80 percent funded (2 points), having an unfunded liability that is less than the payroll for active members (1 point), and paying at least 90 percent of the recommended pension contribution over the last five years (1 point). Plans that got all four points were solid performers, plans with two or three needed improvement, and plans with one or no points were cause for serious concern. Grades for retiree health benefits were based on whether the state's benefits had a funding level above the national average (1 point), whether 90 percent of the recommended contribution was made in the most recent year (1 point), and whether the state's plans were better funded based on the most recent data than they were in the prior year (1 point). States with two or three points were solid performers, those with just one point needed improvement, and states with no points were cause for serious concern. This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by the Pew Center on the States. The full report and 50 state fact sheets can be found at