The Widening Gap Update — UTAH

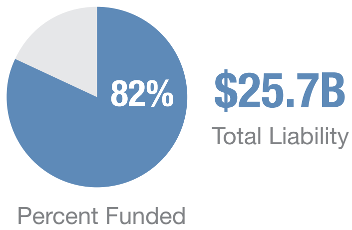
Utah paid its full annual pension contribution from 2005 to 2010, but the system was 82 percent funded in fiscal year 2010 and still faced a $5 billion funding gap. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $400 million bill for retiree health care costs, 22 percent of which was funded, well above the 8 percent national average in2010.

Utah lawmakers approved a significant restructuring of the state's pension system in 2010, closing the traditional defined benefit plan and replacing it by offering new employees a choice between a 401(k)-style defined contribution plan or a hybrid plan that combines features of defined benefit and defined contribution plans.

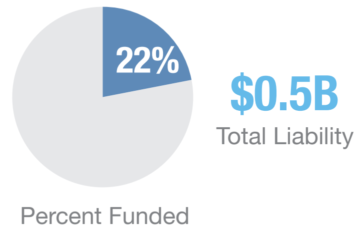
TOTAL BILL COMING DUE

Utah's retirement plans had a liability of $26.2 billion and the state has fallen $5 billion short in setting aside money to pay for it.

Pensions



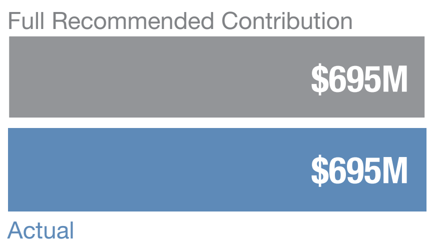
Retiree Health Care



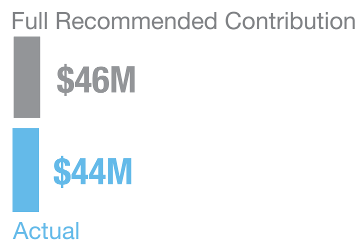
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Utah paid 100 percent of the recommended contribution to its pension plans and 96 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Utah **needed to improve** how It handled its long-term liabilities for pensions and was a **solid performer** at handling its retiree health care bill.

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 **www.pewstates.org**.