



The Widening Gap Update

WEST VIRGINIA

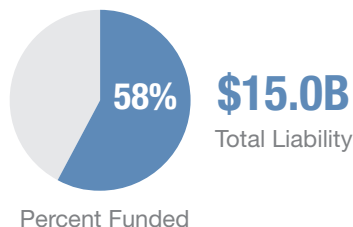
West Virginia failed to pay its full annual pension contribution twice from 2005 to 2010. The system was 58 percent funded in fiscal year 2010 and faced a \$6 billion funding gap in 2010 because of its pension liabilities. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a \$7 billion bill for retiree health care costs, 6 percent of which was funded, slightly below the 8 percent national average in 2010.

West Virginia lawmakers approved pension benefit cuts in 2011, including raising the service requirements for new employees and limiting compensation included in final average salaries. Lawmakers also were the first in the nation to pledge tax revenue to help finance West Virginia's retiree health care burden, agreeing in 2012 to set aside \$30 million a year in personal income tax collections for that purpose.

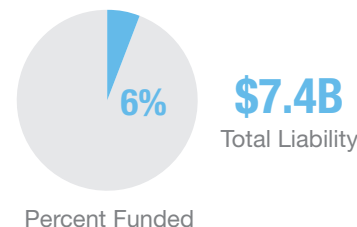
TOTAL BILL COMING DUE

West Virginia's retirement plans had a liability of \$22.4 billion and the state has fallen \$13 billion short in setting aside money to pay for it.

Pensions



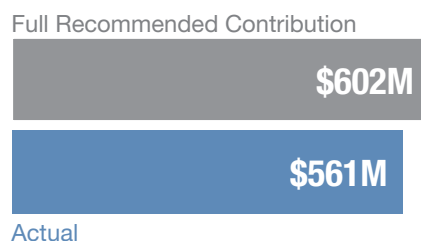
Retiree Health Care



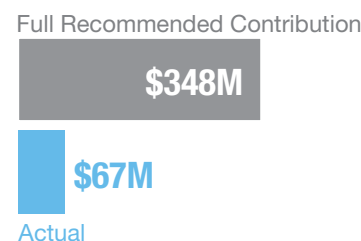
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, West Virginia paid 93 percent of the recommended contribution to its pension plans and just 19 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

West Virginia'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 www.pewstates.org.