The Widening Gap Update DELAWARE

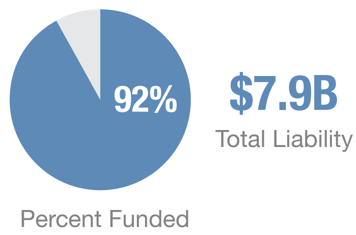
While Delaware failed to consistently pay its full annual pension contribution from 2005to 2010, the system was 92 percent funded in fiscal year 2010—largely due to its strong past performance. Delaware faced a $633 million funding gap in 2010 because of its pension liabilities. Most experts agree that a fiscally sustainable system should be at least 80 percent funded. The state also had a $6 billion bill for retiree health care costs, less than2 percent of which was funded, well below the 8 percent national average in 2010.

Delaware lawmakers approved a series of benefit cuts in 2011 affecting newly hired employees. These included increasing employee contributions, raising the retirement age from 62 to 65, extending the vesting requirements from 5 years to 10 years, and limiting how overtime payments are factored into final average compensation. The state also reduced employee benefits in the retiree health care plan and increased employee contributions.

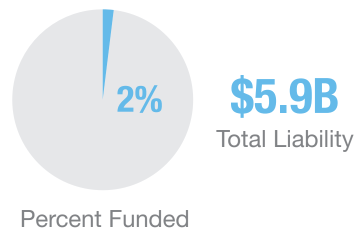
TOTAL BILL COMING DUE

Delaware's retirement plans had a liability of $13.8 billion and the state has fallen $6 billion short in setting aside money to pay for it.

Pensions



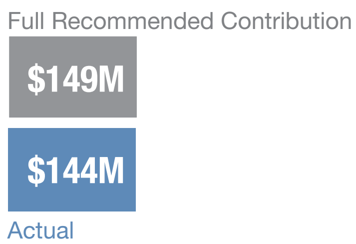
Retiree Health Care



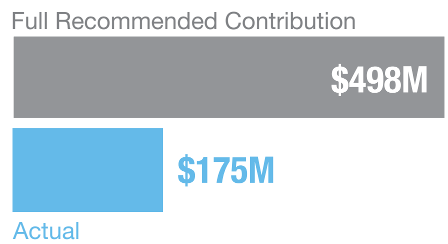
ANNUAL RECOMMENDED CONTRIBUTION

In 2010, Delaware paid 97 percent of the recommended contribution to its pension plans and just 35 percent of what the state should have paid to fund retiree health benefits.

Pensions



Retiree Health Care



HOW DID THIS STATE FARE?

Delaware was a **solid performer** at managing its long-term liabilities for pensions but **needed to improve** how it handled 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**.