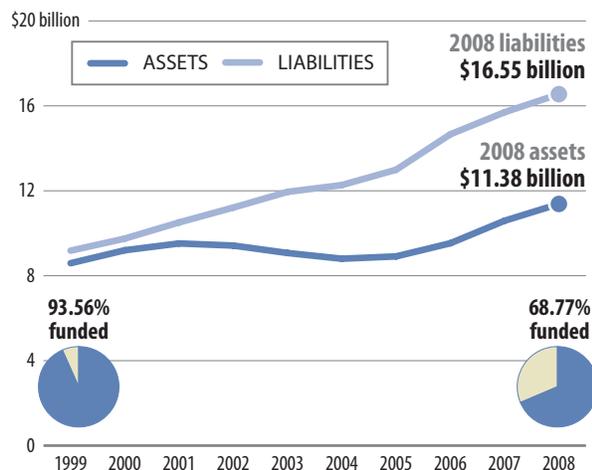


HAWAII's management of its long-term pension liability is cause for serious concern and it needs to improve how it handles the bill coming due for retiree health care and other benefits. The Aloha State has funded only 69 percent of its total pension bill, well below the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts. This drop in funding level emerged after the state reduced its annual contributions in 2000 and 2001 and after the dismal investment returns of 2001 and 2002. In 2005, Hawaii created a defined benefit plan for new employees. The new plan's benefits are higher than the previous defined benefit plan, but employees now contribute to their retirement. The state also set up an irrevocable trust for its non-pension benefits. As of fiscal year 2007, Hawaii—like 19 other states—had failed to sock away any assets to cover this long-term bill coming due. Relative to the size of its payroll and population, it has one of the greatest burdens—\$10.8 billion—of any state in the country.

PENSIONS, 1999 – 2008

Hawaii's pension liabilities grew 80 percent between 1999 and 2008, outpacing assets, which grew only 32 percent in that period.



Total Bill Coming Due:	\$16,549,069
Portion Unfunded:	\$5,168,108
Annual Required Contribution (ARC):	\$488,770
Percentage ARC Funded:	104.49%



PENSIONS: SERIOUS CONCERNS



Solid performer



Needs improvement



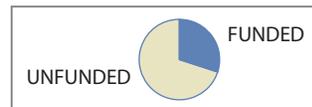
Serious concerns

Our grades assess states on how well they manage their retirement obligations. Each state can earn up to four points for its pension plans: two points for a funding ratio of at least 80 percent; one for an unfunded liability below covered payroll; and one for paying an average of at least 90 percent of the ARC during the past five years. Solid Performer = 4 points. Needs Improvement = 2–3 points. Serious Concerns = 0–1 points. Grading for health care and other benefits is simpler because most states have only recently begun to fund and collect data on these liabilities. States are solid performers if they have set aside assets equal to at least 7.1 percent of their liabilities (the 50-state average), or they need improvement if they have contributed less.

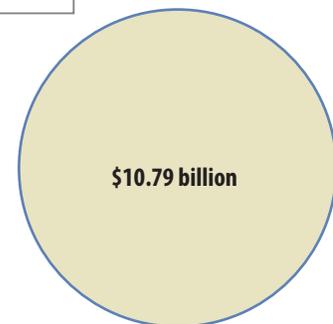
For more details, read the full report at www.pewcenteronthestates.org/TrillionDollarGap.

HEALTH CARE & OTHER BENEFITS, 2007

Retiree health care and other benefit liabilities are 39 percent of Hawaii's total retirement bill but are 68 percent of the state's retirement funding shortfall.



Hawaii's health care and other post-employment benefit programs are **unfunded**.



Total Bill Coming Due:	\$10,791,300
Portion Unfunded:	\$10,791,300
Annual Required Contribution (ARC):	\$822,454
Percentage ARC Funded:	36.41%



HEALTH CARE & OTHER BENEFITS: NEEDS IMPROVEMENT