The Trillion Dollar Gap

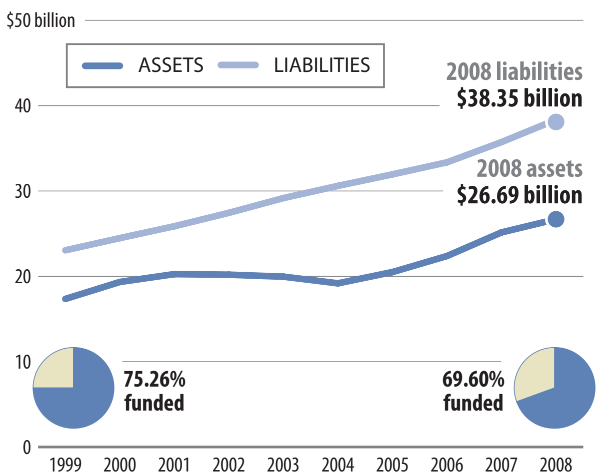
Underfunded State Retirement Systems and the Roads to Reform

Louisiana

LOUISIANA's management of its long-term pension liability is cause for serious concern and the state needs to improve how it handles its retiree health care and other benefit obligations. Although it has contributed more than 90 percent of the actuarially required contribution each year since 1997, it has funded only 70 percent of its total pension bill—below the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts. The total unfunded liability—$11.7 billion—is almost twice the payroll for members of the state-run pension plans. In 2009, Louisiana passed a law that limited cost-of-living adjustments to help minimize future benefit increases. Meanwhile, in 2007, Louisiana had a $12.5 billion bill coming due for retiree health care and other benefits—and, like 19 other states, it had failed to set aside any assets to cover these costs.

PENSIONS, 1999 – 2008

Louisiana's pension liabilities grew 66 percent between 1999 and 2008, outpacing assets, which grew only 54 percent in that period.



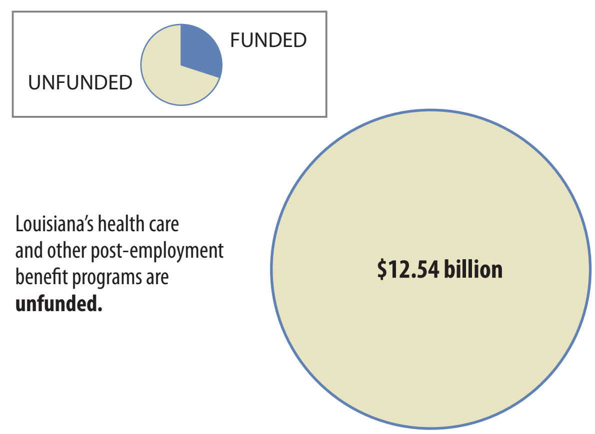
Total Bill Coming Due:	$38,350,804
Portion Unfunded:	$11,658,734
Annual Required Contribution (ARC):	$1,160,051
Percentage ARC Funded:	115.33%

Note: In thousands

PENSIONS: SERIOUS CONCERNS

HEALTH CARE & OTHER BENEFITS, 2007

Retiree health care and other benefit liabilities are 25 percent of Louisiana's total retirement bill but are 52 percent of the state's retirement funding shortfall.



Total Bill Coming Due:	$12,542,953
Portion Unfunded:	$12,542,953
Annual Required Contribution (ARC):	$1,168,087
Percentage ARC Funded:	23.10%

Note: In thousands

HEALTH CARE & OTHER BENEFITS: NEEDS IMPROVEMENT

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.

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