The Trillion Dollar Gap

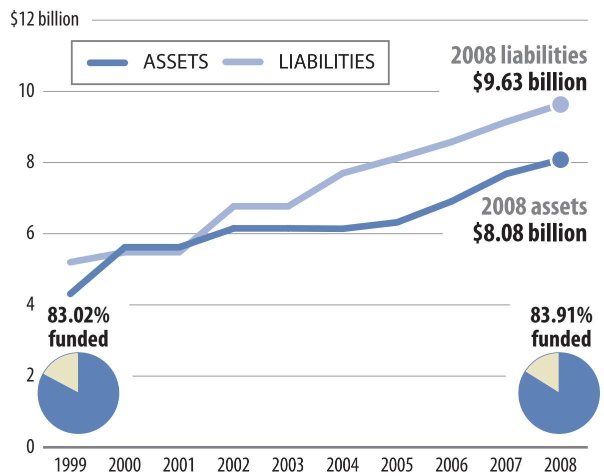
Underfunded State Retirement Systems and the Roads to Reform

Montana

MONTANA is managing its long-term pension liability well, but it needs to improve how it handles the bill coming due for its retiree health care and other benefits. After seeing its pension funding level drop 25 percentage points between 2001 and 2005, Montana has been recovering its financial footing by paying more than the actuarially required contribution to its pension funds. In 2008, the Treasure State had funded nearly 84 percent of its total pension bill, above the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts. The year before, the legislature increased the employer contribution rate for the teachers' retirement system from 7.47 percent to 9.85 percent by 2010. Meanwhile, Montana has a bill coming due of $632 million for retiree health care and other benefits, but as of 2007 it had failed to set aside any money to cover these costs.

PENSIONS, 1999 – 2008

Montana's pension liabilities grew 85 percent between 1999 and 2008—outpaced by assets, which increased by 87 percent.



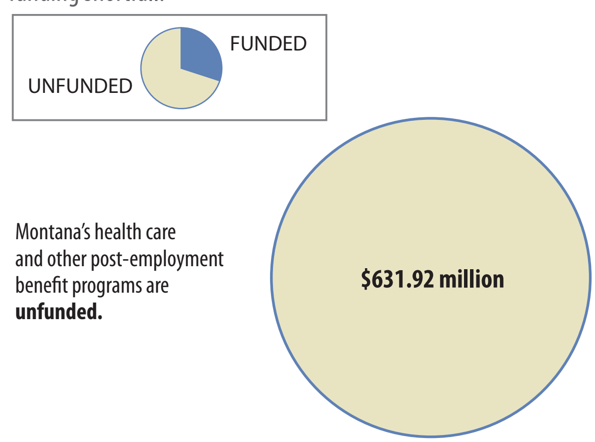
Total Bill Coming Due:	$9,632,853
Portion Unfunded:	$1,549,503
Annual Required Contribution (ARC):	$201,871
Percentage ARC Funded:	104.98%

Note: In thousands

PENSIONS: SOLID PERFORMER

HEALTH CARE & OTHER BENEFITS, 2007

Retiree health care and other benefits are 6 percent of Montana's total retirement bill but are 29 percent of the state's retirement funding shortfall.



Total Bill Coming Due:	$631,918
Portion Unfunded:	$631,918
Annual Required Contribution (ARC):	$58,883
Percentage ARC Funded:	0.00%

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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