THE PEW CENTER ON THE STATES

The Trillion Dollar Gap

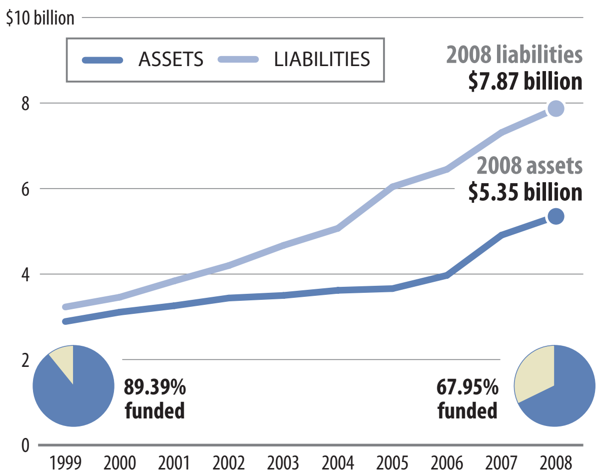
Underfunded State Retirement Systems and the Roads to Reform

New Hampshire

NEW HAMPSHIRE'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. In 1997, the state's pension plans were 110 percent funded, but by 2008, that number had dropped to 68 percent—well below the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts. Because New Hampshire conducts actuarial valuations for its pension plans on December 31, the current funding level more accurately reflects the decline in assets from the 2008 calendar year than do plans valued on June 30. New Hampshire enacted policy reforms in 2009, increasing the employee contribution rate for new members of the state's retirement system. Meanwhile, New Hampshire has a $3.2 billion bill coming due for retiree health care and other benefits, but only 5 percent of that long-term cost is funded.

PENSIONS, 1999 – 2008

New Hampshire's pension liabilities grew 144 percent between 1999 and 2008, outpacing assets, which grew 85 percent.



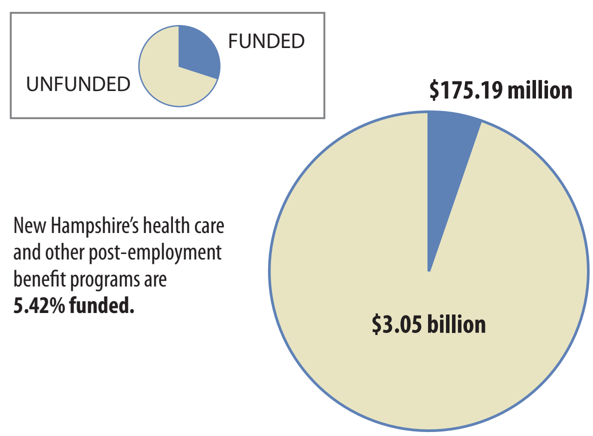
Total Bill Coming Due:	$7,869,189
Portion Unfunded:	$2,522,175
Annual Required Contribution (ARC):	$251,764
Percentage ARC Funded:	75.12%

Note: In thousands

PENSIONS: SERIOUS CONCERNS

HEALTH CARE & OTHER BENEFITS, 2008

Retiree health care and other benefits are 29 percent of New Hampshire's total retirement bill but are 55 percent of the state's retirement funding shortfall.



Total Bill Coming Due:	$3,229,375
Portion Unfunded:	$3,054,188
Annual Required Contribution (ARC):	$268,848
Percentage ARC Funded:	41.67%

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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