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The Fiscal Health of State Pension Plans: Funding Gap Continues to Grow

Based on the most recent comprehensive data, the gap between what state and local governments have promised in pension benefits to their workers and the funding to meet those obligations continues to widen. New data for fiscal year 2012 show that state-run retirement systems had a \$915 billion shortfall. When promises by local governments were factored in, the total pension debt was over \$1 trillion.

Since the financial crisis of 2008, policymakers have increasingly focused attention on the fiscal health of state-run retirement systems. A combination of investment return shortfalls, missed contributions, and unfunded benefit increases had left states with a \$452 billion unfunded liability for pensions in fiscal 2008; by 2010 this funding gap had grown to \$757 billion.

In spite of recent strong investment returns, the new data show that the funding gap for state plans has continued to grow—increasing by \$158 billion from 2010 to 2012. This figure represents 14 percent growth, adjusted for inflation, and is primarily the result of states continuing to acknowledge the investment losses suffered in fiscal 2009. Because most state pension plans smooth out gains and losses over five years, they would not finish absorbing the impact of the market collapse until fiscal 2013.

Many states have enacted reforms since the financial crisis hit. And if pension plans meet their investment return targets and government sponsors make recommended contributions to their retirement systems, states can expect to see funding levels start to rise in future years. But investment returns are uncertain, and policymakers in many states fell short of paying for pension debt in 2012, an aggregate shortfall of \$21 billion. Only 15 states have consistently made at least 95 percent of the full actuarially required contributions for their pension plans from 2010 through 2012; the remaining 35 states fell short in at least one year.

Pew's work on public-sector retirement systems is conducted in partnership with the Laura and John Arnold Foundation.

State Public Pensions

Many states are seeing their pension debt continue to increase, despite reform efforts, because of missed contributions and the continued impact of investment losses.

State	Liability	Unfunded	ARC*	Funded ratio			% of ARC paid		
	2012			2010	2011	2012	2010	2011	2012
Alabama	42,517	14,380	947	70	67 ↓	66 ↓	100	100	100
Alaska	18,062	8,190	589	60	59 ↓	55 ↓	83	89	88
Arizona	51,244	14,375	1,224	75	73 ↓	72 ↓	101	101	101
Arkansas	26,255	7,510	713	75	72 ↓	71 ↓	106	98	95
California	567,606	131,318	16,033	78	77 ↓	77 →	75	72	72
Colorado	61,791	22,711	1,174	66	61 ↓	63 ↑	66	87	85
Connecticut	48,200	24,546	1,699	53	55 ↑	49 ↓	87	91	100
Delaware	8,900	1,037	196	92	91 ↓	88 ↓	97	98	99
Florida	157,068	28,956	2,547	82	82 →	82 →	107	80	59
Georgia	86,384	16,776	1,375	85	82 ↓	81 ↓	100	100	100
Hawaii	20,683	8,441	655	61	59 ↓	59 →	102	92	84
Idaho	13,782	2,078	339	79	90 ↑	85 ↓	113	87	86
Illinois	158,612	94,582	6,612	45	43 ↓	40 ↓	87	80	76
Indiana	41,884	16,355	1,733	65	63 ↓	61 ↓	94	84	88
Iowa	30,097	6,156	593	81	80 ↓	80 →	89	82	97
Kansas	23,531	10,253	843	62	59 ↓	56 ↓	72	74	67
Kentucky	40,121	21,355	1,252	54	51 ↓	47 ↓	58	114	65
Louisiana	43,736	19,306	1,968	56	56 →	56 →	84	87	96
Maine	14,012	2,935	275	70	80 ↑	79 ↓	103	102	100
Maryland	58,305	20,868	2,054	64	65 ↑	64 ↓	87	73	70
Massachusetts	71,622	28,104	1,669	71	65 ↓	61 ↓	65	103	87
Michigan	80,521	31,159	2,395	72	65 ↓	61 ↓	86	87	80
Minnesota	62,720	15,609	1,160	80	79 ↓	75 ↓	65	84	81
Mississippi	35,290	14,860	767	64	62 ↓	58 ↓	100	101	101
Missouri	56,986	12,523	1,295	77	82 ↑	78 ↓	89	93	96
Montana	11,908	4,303	282	70	66 ↓	64 ↓	81	75	69

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State	Liability	Unfunded	ARC*	Funded ratio			% of ARC paid		
	2012			2010	2011	2012	2010	2011	2012
Nebraska	11,484	2,426	249	84	82 ↓	79 ↓	100	91	91
Nevada	38,704	11,237	1,391	70	70 →	71 ↑	92	88	96
New Hampshire	10,433	4,573	257	59	58 ↓	56 ↓	100	100	100
New Jersey	133,148	47,209	5,546	71	68 ↓	65 ↓	32	32	39
New Mexico	33,887	12,489	875	72	67 ↓	63 ↓	88	91	83
New York	169,266	21,457	4,585	94	90 ↓	87 ↓	100	100	100
North Carolina	85,067	3,880	1,396	96	95 ↓	95 →	100	81	100
North Dakota	5,513	2,014	163	72	69 ↓	63 ↓	66	52	53
Ohio	191,146	63,143	4,487	67	68 ↑	67 ↓	67	67	57
Oklahoma	33,072	11,602	1,095	56	67 ↑	65 ↓	70	65	104
Oregon	60,405	5,621	1,239	87	82 ↓	91 ↑	100	83	72
Pennsylvania	130,817	47,286	3,674	75	68 ↓	64 ↓	29	31	43
Rhode Island	10,816	4,521	367	49	59 ↑	58 ↓	100	100	100
South Carolina	45,202	15,647	974	66	68 ↑	65 ↓	100	100	100
South Dakota	8,571	638	100	96	96 →	93 ↓	98	102	99
Tennessee	40,069	3,389	1,003	90	92 ↑	92 →	100	100	100
Texas	175,470	31,670	3,557	83	83 →	82 ↓	82	81	69
Utah	27,939	6,569	813	82	78 ↓	76 ↓	100	100	100
Vermont	4,754	1,418	92	75	73 ↓	70 ↓	94	95	118
Virginia	81,207	28,138	1,724	72	69 ↓	65 ↓	67	46	59
Washington	66,553	3,256	1,630	95	94 ↓	95 ↑	53	65	74
West Virginia	16,299	6,020	618	58	64 ↑	63 ↓	93	101	101
Wisconsin	78,683	70	826	100	100 →	100 →	108	104	100
Wyoming	8,300	1,691	164	86	83 ↓	80 ↓	82	96	89
Total	3,298,643	914,653	87,213	75	74 ↓	72 ↓	78	77	77

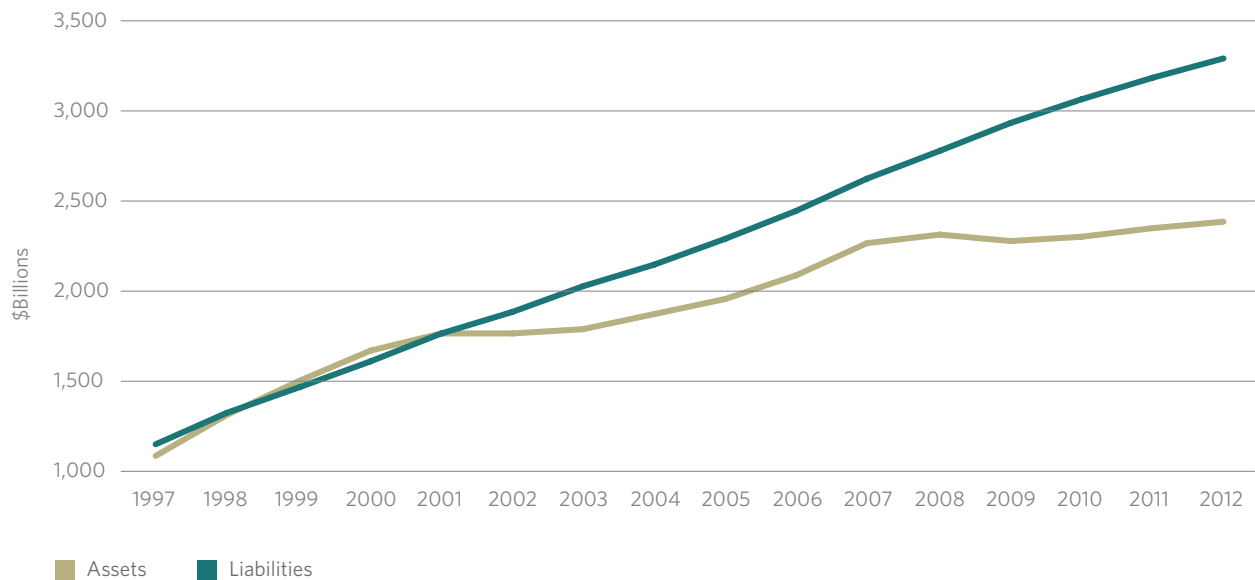
*Numbers are in millions of dollars. ARC stands for actuarial required contribution and is what plan actuaries recommend be set aside in a given year to fund retirement benefits. All figures were collected from state Comprehensive Annual Financial Reports and pension plan financial reports and actuarial valuations.

Source: The Pew Charitable Trusts

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The Growing Gap in State Pension Funds

Pension funding has been declining since 2000 as liabilities have grown faster than assets



Source: The Pew Charitable Trusts
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For further information, please visit:

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