

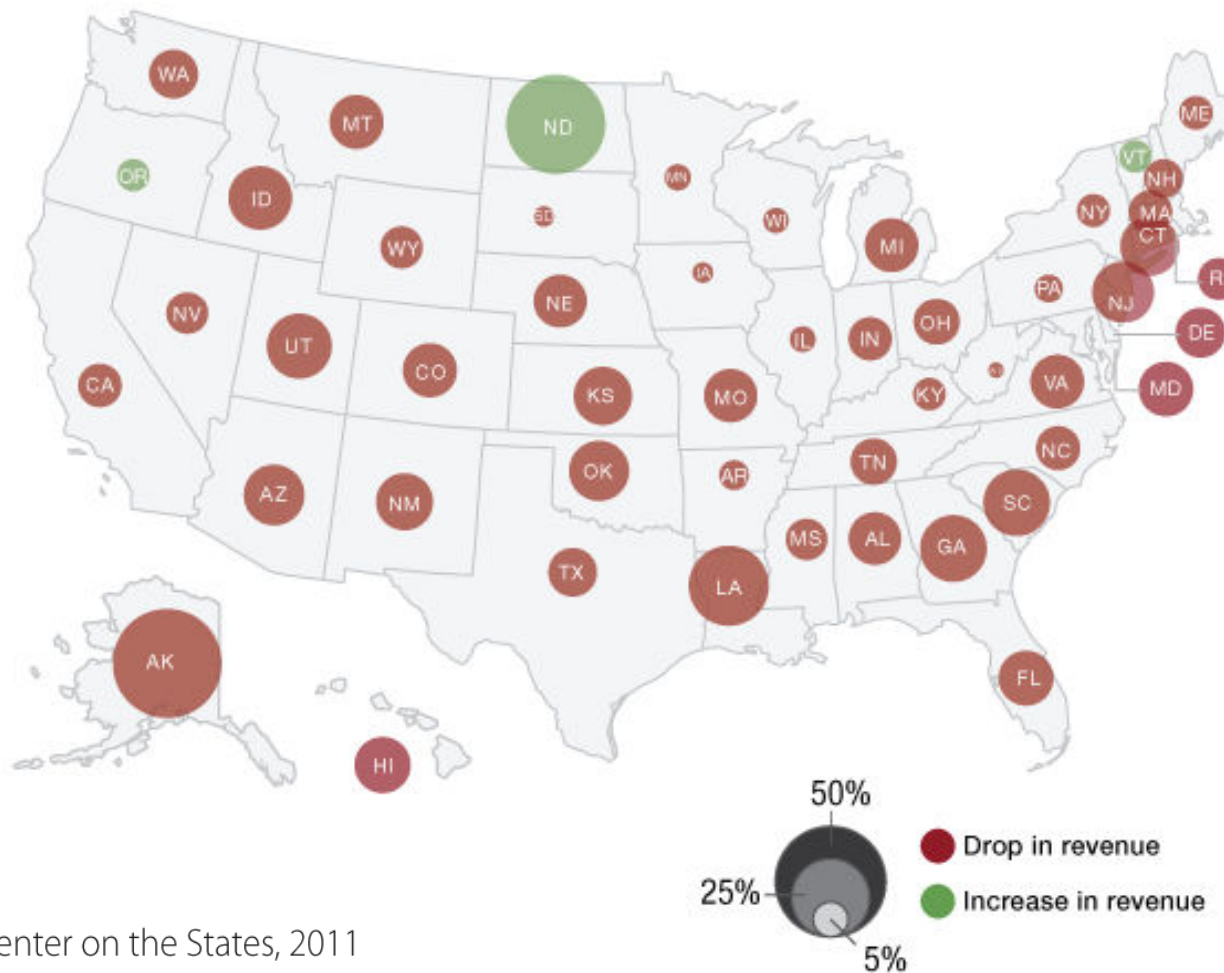
THE
PEW
CENTER ON THE STATES

*The Widening Gap: Pensions and Retiree Health Care
Kansas Public Employees' Retirement System Study Commission
Topeka, Kansas*



The rise and fall of state revenues

Nationally, states' tax revenues are 9 percent below peak levels.
(First Q2011 compared to second Q2008, adjusted for inflation)



Source: Pew Center on the States, 2011

Red ink states

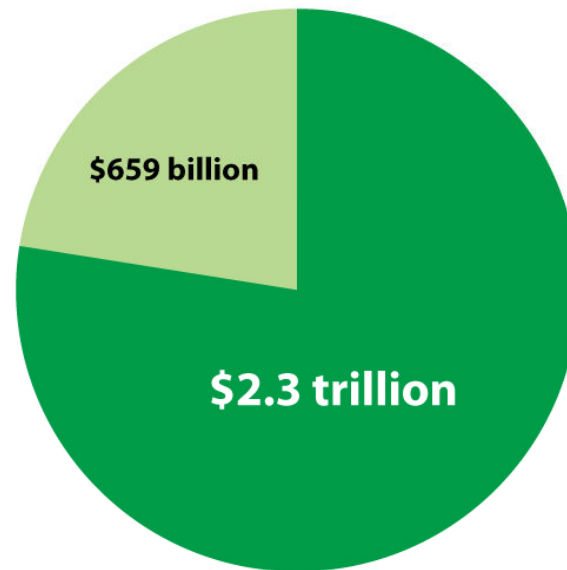
Over five years, states closed \$480 billion in budget gaps.
In FY 2012, 45 states had budget shortfalls.



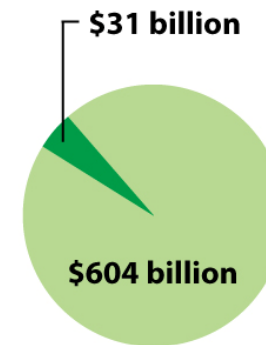
Source: Pew Center on the States, 2011

The Widening Gap, 2009

For the first time since Pew began tracking public sector retirement obligations, the unfunded liabilities for pensions is larger than retiree health care and other benefits.



Pensions - \$2.94 trillion
78 percent funded



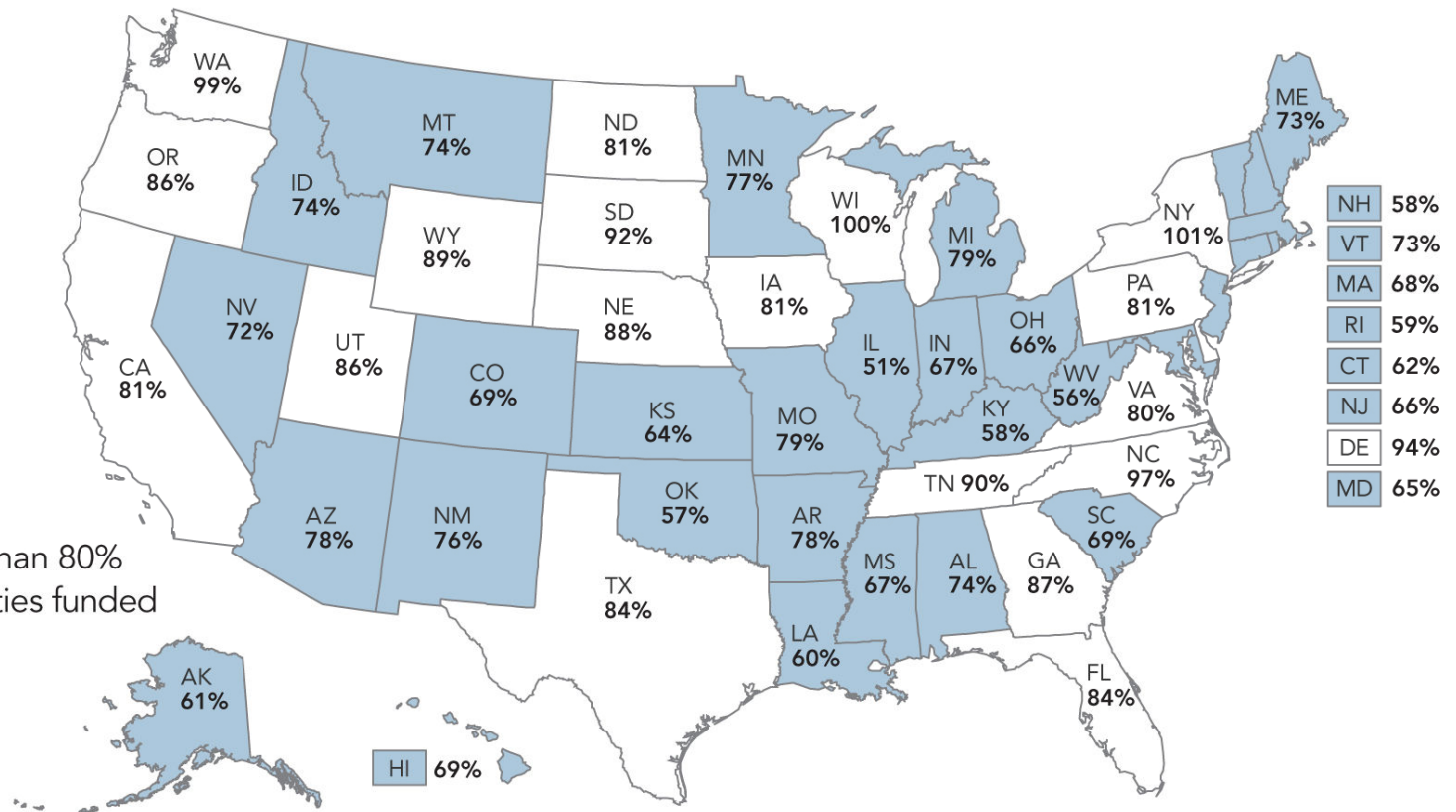
OPEB - \$635 billion
5 percent funded

Source: Pew Center on the States, 2011

States' Public Sector Pensions 78% Funded in FY09

Thirty-one states were below the 80 percent funded threshold for a well-funded pension system.

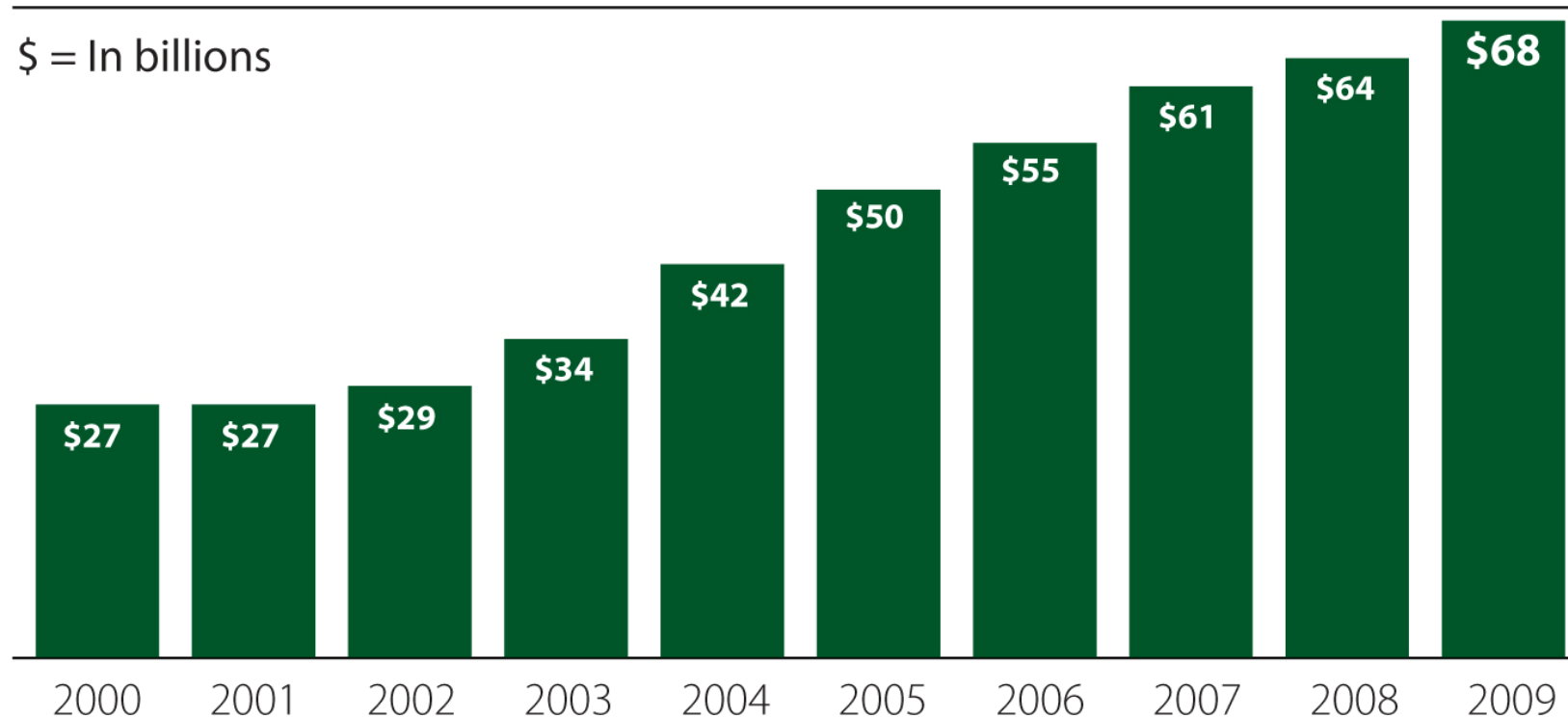
■ States with less than 80% of pension liabilities funded



Source: Pew Center on the States, 2011

A growing annual bill

The annual bill to fund all 50 states' pension obligations has risen 152 percent since 2000.



Source: Pew Center on the States, 2011

Mixed Picture: FY10 Data Show Investment Gains, Recession's Legacy

For the 16 states for which fiscal year 2010 data are now available, the average pension funding level fell slightly to 75 percent from 77 percent the previous year.

Figures are in thousands.

State	Pension liability		Pct. funded		Required contribution		Pct. paid	
	FY10	FY09	FY10	FY09	FY10	FY09	FY10	FY09
Connecticut	\$44,826,900	\$41,311,400	53%	62%	\$1,472,000	\$1,307,200	87%	96%
Delaware	7,922,174	7,615,166	92	94	148,586	148,940	97	97
Florida	148,116,907	141,485,280	82	84	2,860,448	2,928,569	107	108
Idaho	12,513,200	12,057,500	79	74	262,100	235,626	114	132
Iowa	27,057,850	26,602,516	81	81	524,877	495,196	89	87
Kentucky	37,006,999	35,686,737	54	58	1,023,898	964,979	58	58
Louisiana	41,356,966	39,657,924	56	60	1,599,612	1,375,288	84	97
Maine	14,799,200	14,410,000	70	73	330,300	331,700	103	100
Maryland	54,498,265	53,054,565	64	65	1,544,873	1,338,342	87	84
Minnesota	57,604,243	60,835,351	80	77	1,276,570	1,128,407	67	78
Nevada	35,163,755	33,148,347	70	72	1,394,802	1,344,489	92	90
New Hampshire	8,953,932	8,475,062	58	58	269,677	262,984	100	75
North Dakota	4,977,500	4,475,800	72	81	107,524	83,339	66	80
Tennessee	35,198,741	35,198,741	90	90	836,727	836,911	100	100
Texas	163,416,523	155,679,204	83	84	3,363,531	2,611,397	82	99
Vermont	4,090,328	4,012,955	75	73	89,514	68,615	94	93

SOURCE: Pew Center on the States 2011.

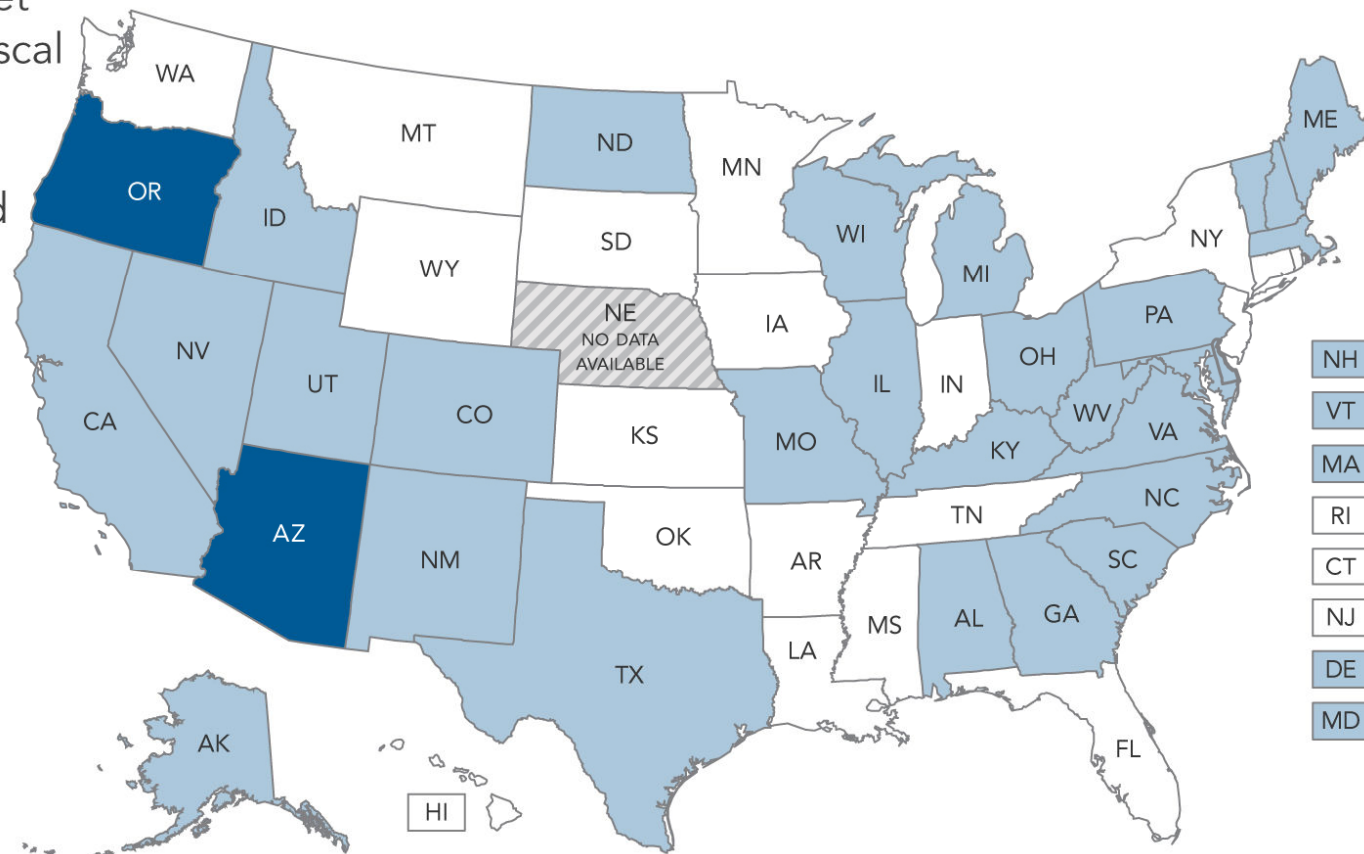
Funded ratios continue to decline.

States' Retiree Health Benefits 5% Funded in FY09

Nineteen states had set aside no funds as of fiscal year 2009 to pay their bills coming due for retiree health care and other non-pension benefits. Only seven states had funded at least a quarter of their liability.

Percent of Liability Funded

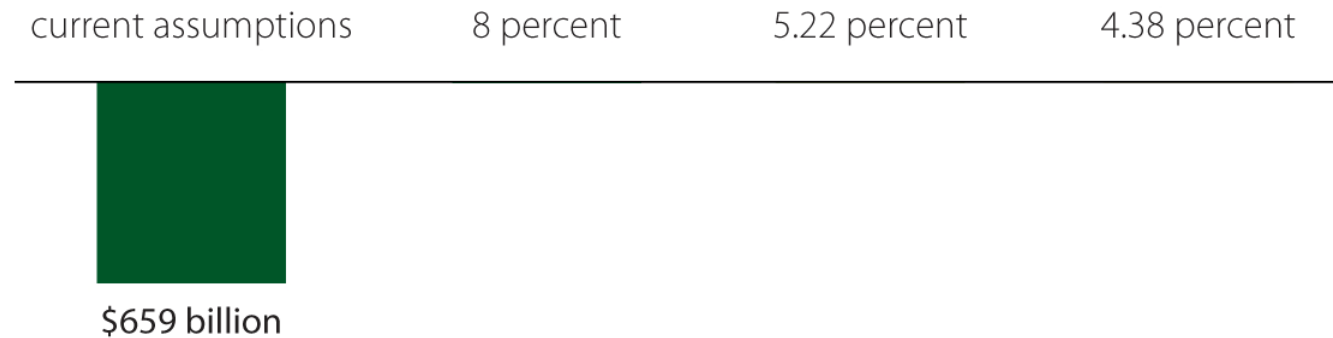
- 50% and above
- 0.1% to 49%
- 0%



Source: Pew Center on the States, 2011

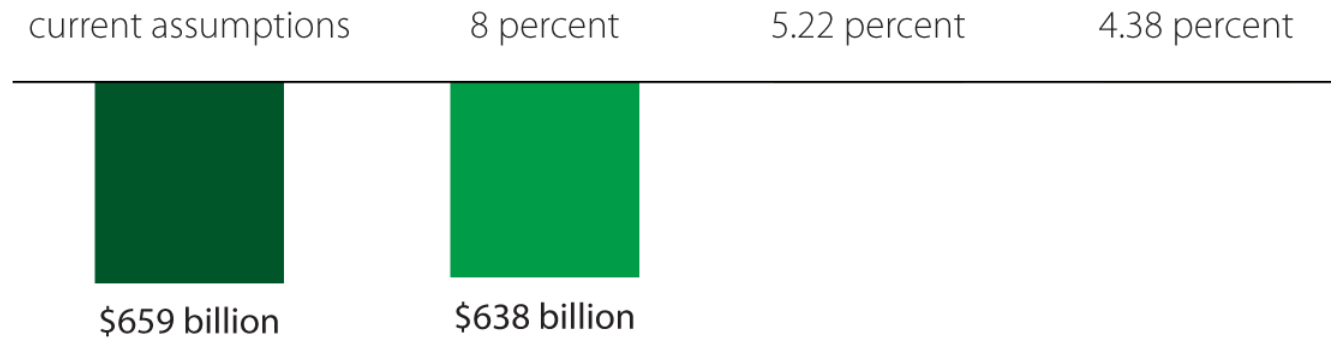
Assumptions and the unfunded liabilities

States make assumptions about investment rates of return when they calculate how much money to set aside to pay for their employees' pension benefits. While there is no consensus about the appropriate return rate, we can illustrate the impact of different return rates.



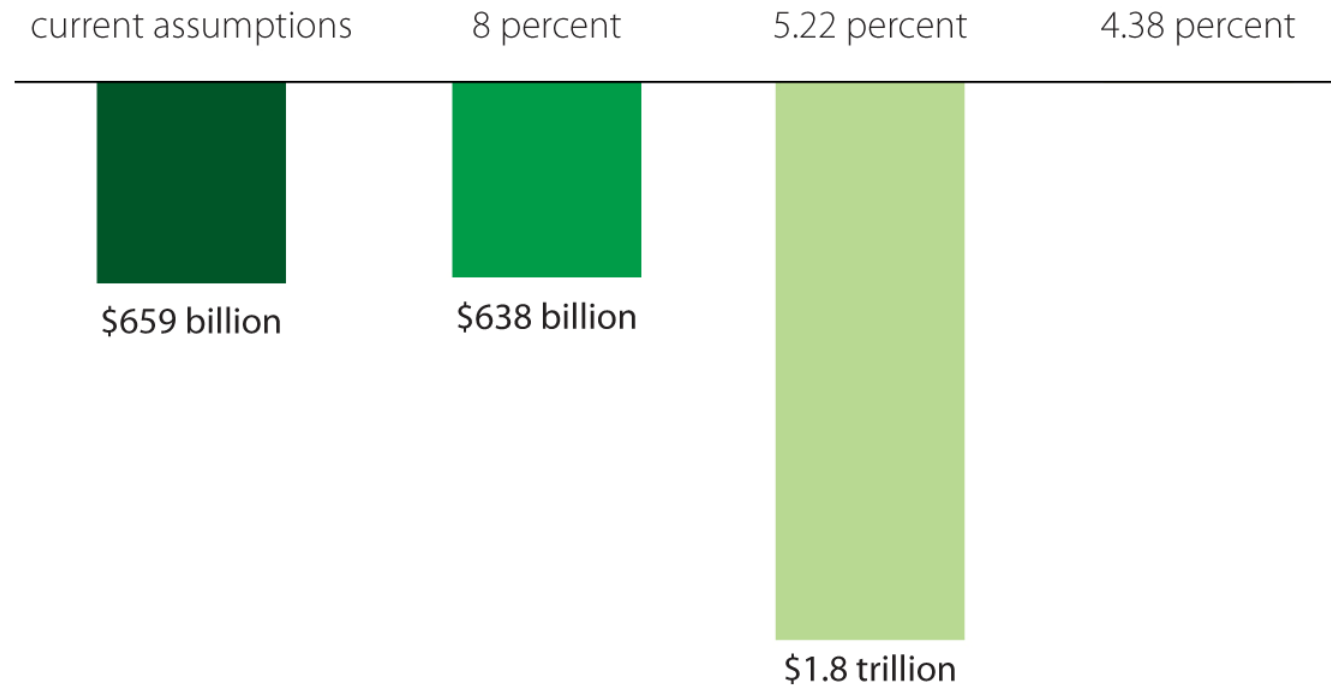
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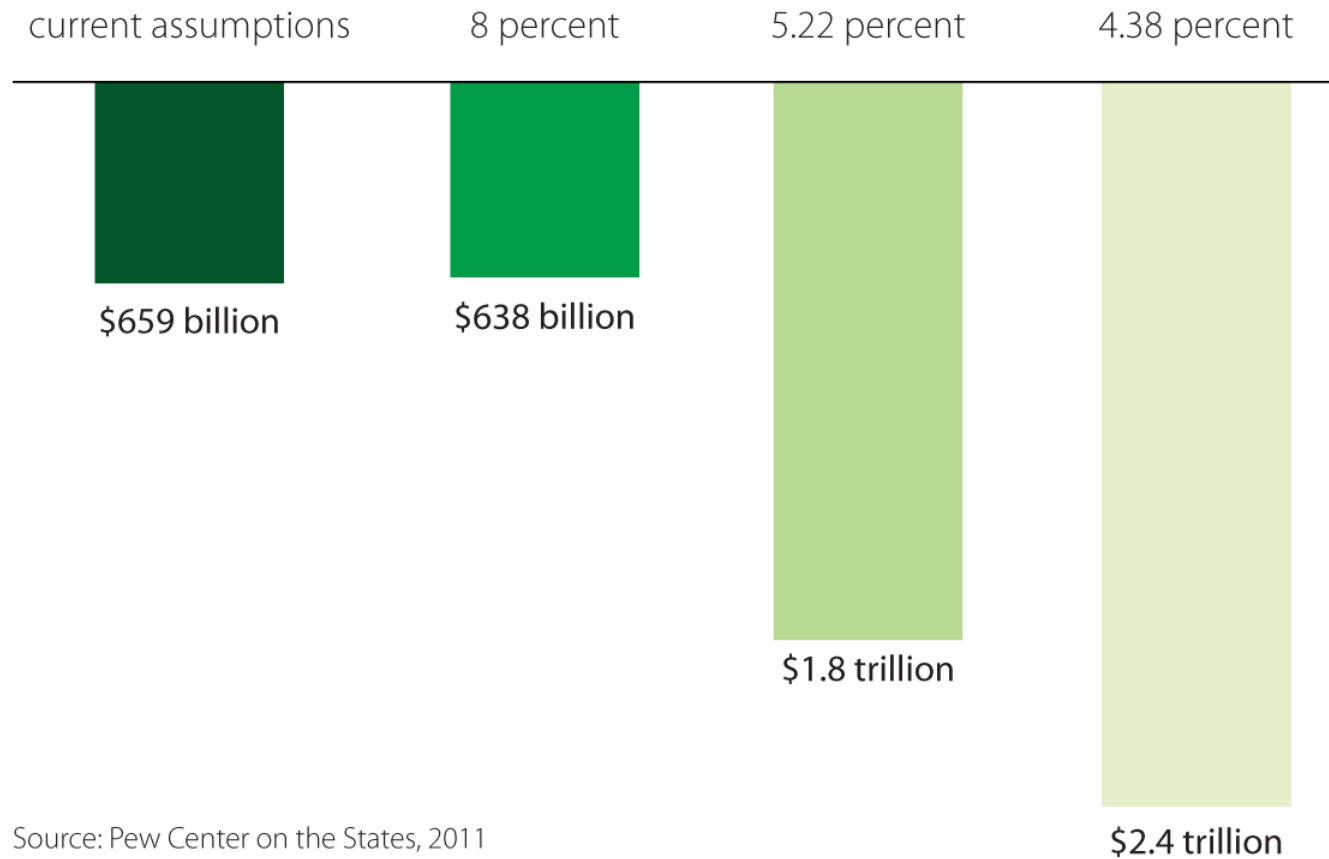
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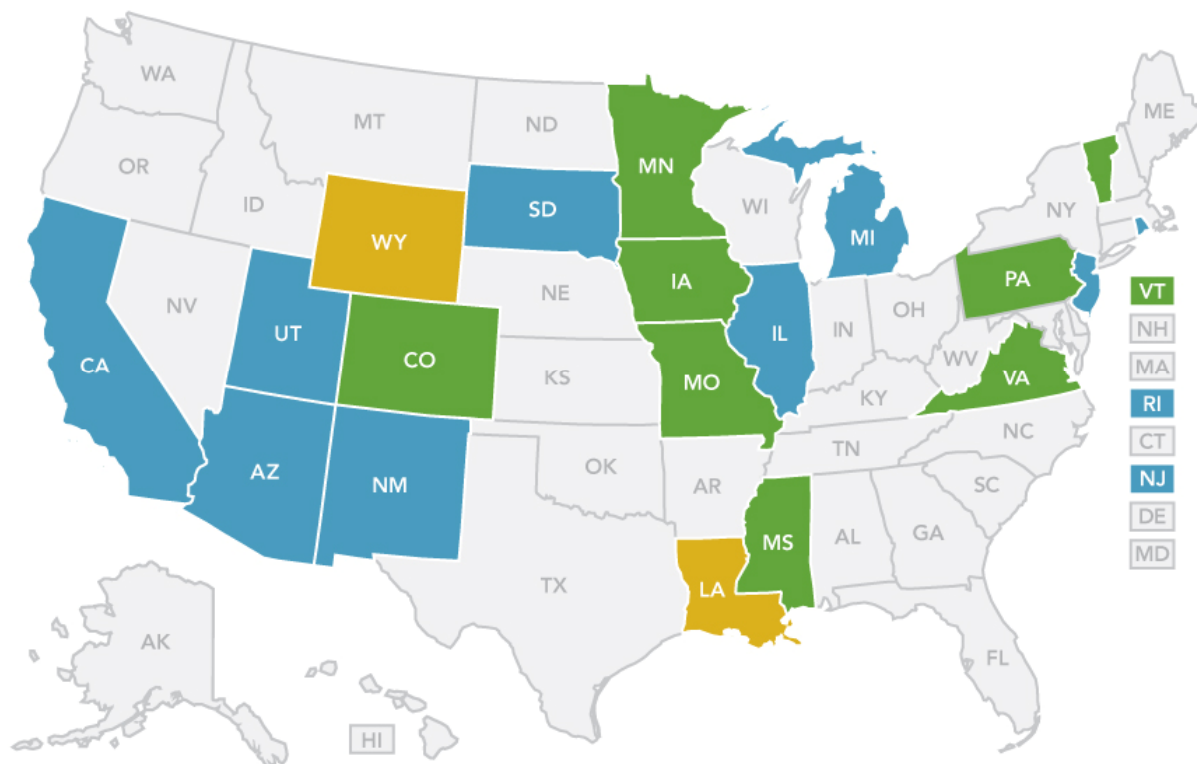
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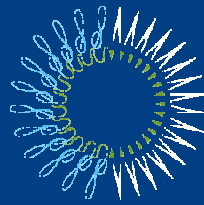


State pension reforms, 2010



Reduced benefits Increased employee contributions Both No reforms

Source: Pew Center on the States, 2011



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