Widening Gap Update

In 2010, states continue to lose ground in their efforts to cover the long-term costs of their employees’ pensions and retiree health care.

Pensions – $3.07 trillion
75 percent funded

Retiree Health Benefits – $660 billion
5 percent funded

Source: Pew Center on the States, 2012
Thirty-four states had less than 80 percent of their pension promises funded in 2010.

Source: Pew Center on the States, 2012

www.pewstates.org/state-pensions-update
Widening Gap Update – Public Sector Retiree Health Benefits

Seventeen states had nothing set aside in 2010 to pay for their retiree health promises.

Source: Pew Center on the States, 2012
A Growing Annual Bill

The annual recommended contribution for states’ pension promises has grown 175 percent since 2000.

Billions of dollars

Source: Pew Center on the States, 2012

www.pewstates.org/state-pensions-update
State Pension Reforms - 2009

Changes to existing liabilities facing the state
New pension model for new employees
Both

Source: Pew Center on the States, 2012 based on data from NCSL
State Pension Reforms - 2010

Changes to existing liabilities facing the state
New pension model for new employees
Both

Source: Pew Center on the States, 2012 based on data from NCSL

www.pewstates.org/state-pensions-update
State Pension Reforms - 2011

Changes to existing liabilities facing the state
New pension model for new employees
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Source: Pew Center on the States, 2012 based on data from NCSL

www.pewstates.org/state-pensions-update
State Pension Reforms - 2012

- Changes to existing liabilities facing the state
- New pension model for new employees
- Both

Source: Pew Center on the States, 2012 based on data from NCSL

www.pewstates.org/state-pensions-update
Meet Mike, a 25-year-old who begins working for Rhode Island in 2012.

Pew illustrates the impact of the reforms on a hypothetical state worker.

**Old plan** | **New plan**
---|---
Mike can retire with full benefits at age: | 62 | 67 |

Mike’s guaranteed annual pension assuming a final average salary of $65,000:

<table>
<thead>
<tr>
<th>Old Plan</th>
<th>New Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$47,288</td>
<td>$27,300</td>
</tr>
</tbody>
</table>

Mike’s annual 401(k)-style account benefit:

<table>
<thead>
<tr>
<th>Old Plan</th>
<th>New Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$13,524</td>
<td></td>
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</tbody>
</table>

Final annual benefit:

<table>
<thead>
<tr>
<th>Old Plan</th>
<th>New Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$47,288</td>
<td>$40,824</td>
</tr>
</tbody>
</table>

Under the new plan:

Mike’s 401(k)-style benefit would have an estimated value of $338,106. If he withdrew 4 percent a year, he would have $13,524.

Source: Pew Center on the States, 2011