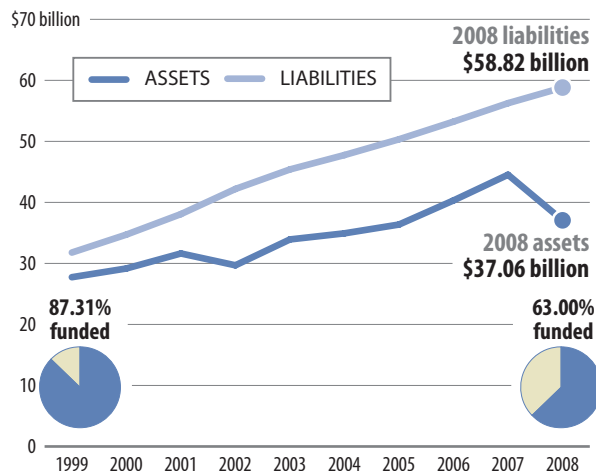


MASSACHUSETTS' management of its long-term pension liability is cause for serious concern and the state needs to improve how it handles its retiree health care and other benefit obligations. It has funded only 63 percent of its pension bill—well below the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts—and faces an unfunded liability of \$21.8 billion, more than twice the payroll of members of the state-run pension plans. Massachusetts' plans conduct their actuarial valuations on December 31, rather than on June 30. This means that the state's data include a greater share of the investment losses from the financial crisis than do states with valuations on June 30. In 2009, Massachusetts passed a law limiting annual salary increases and other means to inflate benefits. Meanwhile, the state is one of 29 with any assets set aside to cover long-term liabilities for retiree health care and other benefits, although just 1.8 percent of the \$15.3 billion bill coming due has been funded.

### PENSIONS, 1999 – 2008

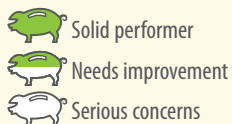
Massachusetts' pension liabilities grew 85 percent between 1999 and 2008, outpacing assets, which grew 34 percent in that period.



Total Bill Coming Due:	\$58,817,155
Portion Unfunded:	\$21,759,452
Annual Required Contribution (ARC):	\$1,226,526
Percentage ARC Funded:	111.60%

Note: In thousands

 PENSIONS: SERIOUS CONCERNS

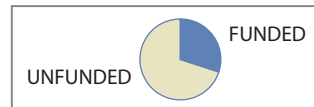


Our grades assess states on how well they manage their retirement obligations. Each state can earn up to four points for its pension plans: two points for a funding ratio of at least 80 percent; one for an unfunded liability below covered payroll; and one for paying an average of at least 90 percent 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.

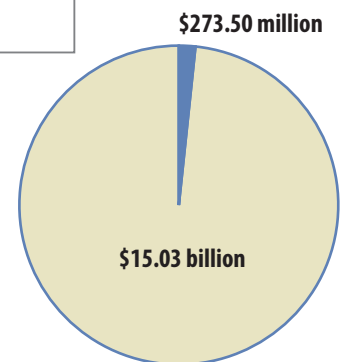
For more details, read the full report at [www.pewcenteronthestates.org/TrillionDollarGap](http://www.pewcenteronthestates.org/TrillionDollarGap).

### HEALTH CARE & OTHER BENEFITS, 2008

Retiree health care and other benefit liabilities are 21 percent of Massachusetts' total retirement bill but are 41 percent of the state's retirement funding shortfall.



Massachusetts' health care and other post-employment benefit programs are **1.79% funded**.



Total Bill Coming Due:	\$15,305,100
Portion Unfunded:	\$15,031,600
Annual Required Contribution (ARC):	\$838,700
Percentage ARC Funded:	83.70%

Note: In thousands

 HEALTH CARE & OTHER BENEFITS: NEEDS IMPROVEMENT