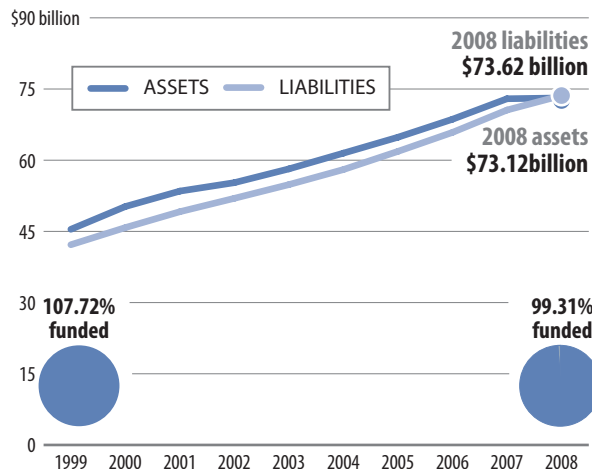


**NORTH CAROLINA** is managing its long-term pension liability well, but the Tar Heel State needs to improve how it handles the bill coming due for retiree health care and other benefits. The state has more than 99 percent of its pension liabilities funded—well above the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts—and has consistently met or surpassed its actuarially required contribution levels during the past 12 years. North Carolina also has taken steps to prevent unaffordable benefit increases by requiring that every retirement-related bill contain actuarial notes from both the General Assembly’s actuary and the North Carolina Retirement System. The state is one of 29 with any assets set aside to cover liabilities for retiree health care and other benefits, although it has socked away just 2 percent, or \$623 million, of the total \$29.4 billion long-term bill coming due.

### PENSIONS, 1999 – 2008

North Carolina’s pension liabilities grew 75 percent between 1999 and 2008, outpacing assets, which grew 61 percent in that period.



Total Bill Coming Due:	\$73,624,027
Portion Unfunded:	\$504,760
Annual Required Contribution (ARC):	\$675,704
Percentage ARC Funded:	99.90%



**PENSIONS: SOLID PERFORMER**



Solid performer



Needs improvement



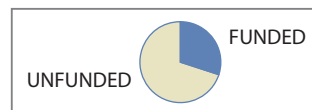
Serious concerns

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.

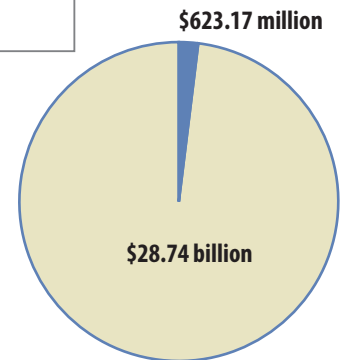
For more details, read the full report at [www.pewcenteronthestates.org/TrillionDollarGap](http://www.pewcenteronthestates.org/TrillionDollarGap).

### HEALTH CARE & OTHER BENEFITS, 2007

Retiree health care and other benefits are 29 percent of North Carolina’s total retirement bill but are 98 percent of the state’s retirement funding shortfall.



North Carolina’s health care and other post-employment benefit programs are **2.12% funded**.



Total Bill Coming Due:	\$29,364,734
Portion Unfunded:	\$28,741,560
Annual Required Contribution (ARC):	\$2,459,469
Percentage ARC Funded:	24.28%



**HEALTH CARE & OTHER BENEFITS: NEEDS IMPROVEMENT**