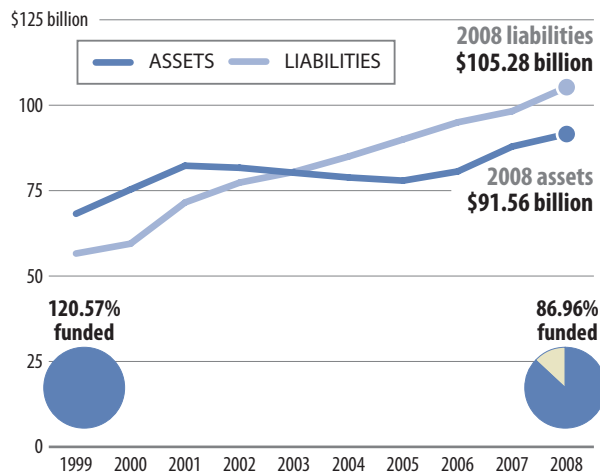


PENNSYLVANIA needs to improve how it manages its long-term liabilities for both pensions and retiree health care and other benefits. The state has 87 percent of the funds needed to pay for its pension obligation—above the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts. But Pennsylvania has contributed less than half of its required contribution during the past four years, and the overall funding level has decreased significantly since 2000, when the Keystone State had 127 percent of what it needed to cover this bill coming due. In 2009, the Pennsylvania State Employees' Retirement System lowered its investment return assumption from 8.5 percent to 8 percent to be more realistic about its long-term funding needs. Meanwhile, Pennsylvania is one of 29 states with any assets set aside to cover its liability for retiree health care and other benefits, but only \$91.8 million—less than 1 percent—of the total \$10 billion bill coming due has been funded.

PENSIONS, 1999 – 2008

Pennsylvania's pension liabilities grew 86 percent between 1999 and 2008, outpacing assets, which grew 34 percent in that period.



Total Bill Coming Due:	\$105,282,637
Portion Unfunded:	\$13,724,480
Annual Required Contribution (ARC):	\$2,436,486
Percentage ARC Funded:	40.50%



PENSIONS: NEEDS IMPROVEMENT



Solid performer



Needs improvement



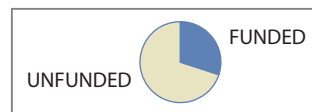
Serious concerns

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.

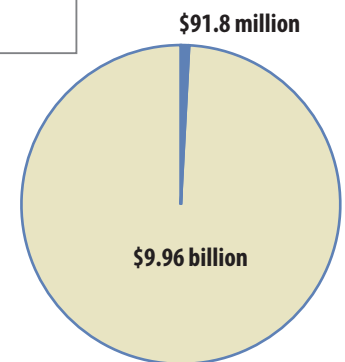
For more details, read the full report at www.pewcenteronthestates.org/TrillionDollarGap.

HEALTH CARE & OTHER BENEFITS, 2008

Retiree health care and other benefits are 9 percent of Pennsylvania's total retirement bill but are 42 percent of the state's retirement funding shortfall.



Pennsylvania's health care and other post-employment benefit programs are **0.92% funded**.



Total Bill Coming Due:	\$10,048,600
Portion Unfunded:	\$9,956,800
Annual Required Contribution (ARC):	\$823,500
Percentage ARC Funded:	90.54%



HEALTH CARE & OTHER BENEFITS: NEEDS IMPROVEMENT