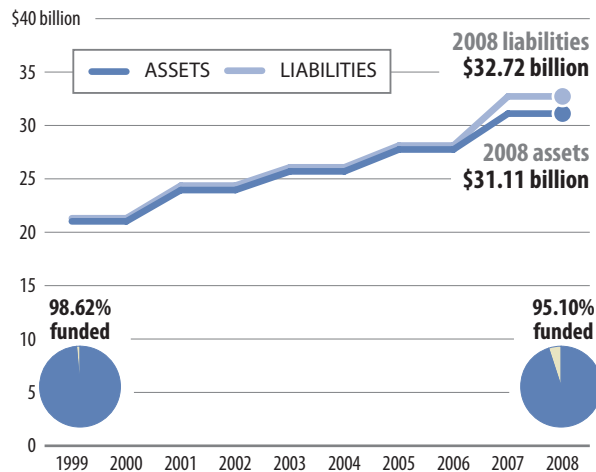


TENNESSEE is managing its long-term pension liability well, but needs to improve how it handles the bill coming due for retiree health care and other benefits. Tennessee consistently has been able to pay its actuarially required contribution and, as a result, it has funded 95 percent of its total pension bill—well beyond the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts. This is due, in part, to its statutory obligation to meet actuarial contribution requirements. Meanwhile, Tennessee has relatively limited long-term liabilities for retiree health care and other non-pension benefits—\$1.7 billion—but the state has not set aside any funds to cover these costs.

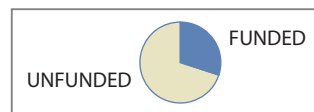
PENSIONS, 1999 – 2008

Tennessee's pension liabilities grew 54 percent between 1999 and 2008, outpacing assets, which grew only 48 percent in that period.

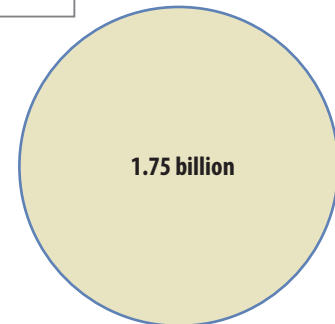


HEALTH CARE & OTHER BENEFITS, 2007

Retiree health care and other benefits are 5 percent of Tennessee's total retirement bill but are 52 percent of the state's retirement funding shortfall.



Tennessee's health care and other post-employment benefit programs are **unfunded**.



Total Bill Coming Due:	\$32,715,771
Portion Unfunded:	\$1,602,802
Annual Required Contribution (ARC):	\$838,259
Percentage ARC Funded:	98.45%

Note: In thousands



PENSIONS: SOLID PERFORMER

Total Bill Coming Due:	\$1,746,879
Portion Unfunded:	\$1,746,879
Annual Required Contribution (ARC):	\$167,787
Percentage ARC Funded:	37.63%

Note: In thousands



HEALTH CARE & OTHER BENEFITS: 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.