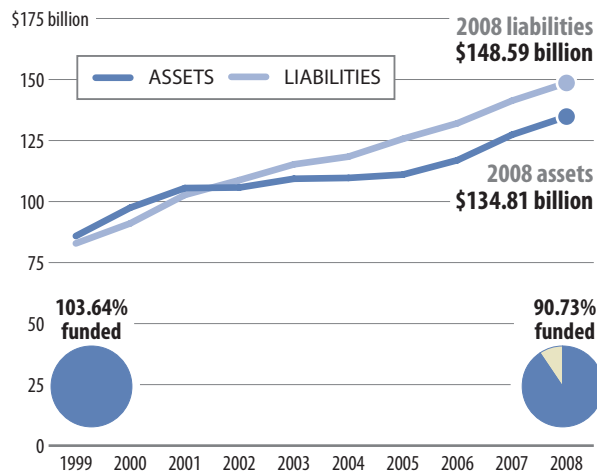


TEXAS needs to improve how it manages its long-term liabilities for both pensions and retiree health care and other benefits. The state has funded 91 percent of its total pension bill—beyond the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts—with an unfunded liability of \$13.8 billion. Between 2003 and 2007, the Longhorn State paid less than 90 percent annually of what its own actuaries said was necessary. However, in 2008, it got back on the right track, paying 99 percent of its annual required contribution. Texas passed legislation in 2009 that increased the retirement age and service eligibility requirements for employees hired after September 1, 2009. This legislation also increased the employee contribution rates for members of the Employee Retirement System. Meanwhile, Texas is one of 29 states with any assets set aside to cover its long-term liability for retiree health care and other benefits—but only \$729 million, or less than 3 percent, of the total \$29.3 billion bill coming due has been funded.

PENSIONS, 1999 – 2008

Texas' pension liabilities grew 79 percent between 1999 and 2008, outpacing assets, which grew only 57 percent in that period.



Total Bill Coming Due:	\$148,594,953
Portion Unfunded:	\$13,781,228
Annual Required Contribution (ARC):	\$1,871,409
Percentage ARC Funded:	99.12%

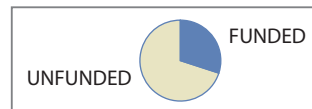
Note: In thousands



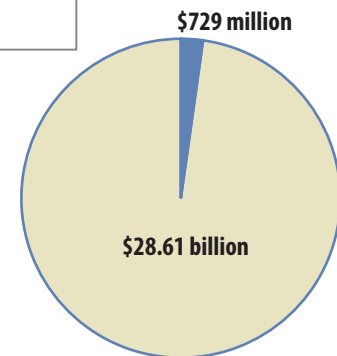
PENSIONS: NEEDS IMPROVEMENT

HEALTH CARE & OTHER BENEFITS, 2008

Retiree health care and other benefits are 16 percent of Texas' total retirement bill but are 67 percent of the state's retirement funding shortfall.



Texas' health care and other post-employment benefit programs are **2.48% funded.**



Total Bill Coming Due:	\$29,340,584
Portion Unfunded:	\$28,611,584
Annual Required Contribution (ARC):	\$2,236,952
Percentage ARC Funded:	26.49%

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.