The Trillion Dollar Gap

Underfunded State Retirement Systems and the Roads to Reform

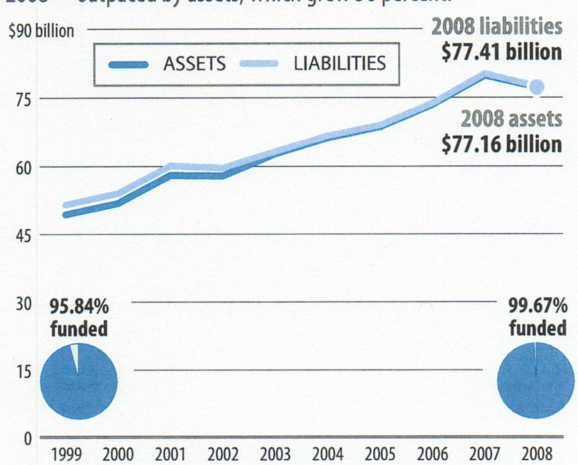
Wisconsin

THE PEW CENTER ON THE STATES

WISCONSIN is a national leader in managing its long-term liabilities for both pensions and retiree health care and other benefits. It has funded nearly 100 percent of its total pension bill—well beyond the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts—by consistently meeting its actuarially required contributions. Wisconsin has developed a creative way to share some of the risk of investment volatility with employees, substituting a dividend process in lieu of standard cost-of-living increases. If the investment returns are positive in a year, the system can declare a dividend that is paid to retirees. But this is not guaranteed. If a good year is followed by one with poor investment returns, retirees can see their pensions reduced. In addition, Wisconsin has a relatively limited long-term liability of $2.2 billion for retiree health care and other benefits. It has set aside $536.8 million to cover that bill coming due.

PENSIONS, 1999 – 2008

Wisconsin's pension liabilities grew 50 percent between 1999 and 2008—outpaced by assets, which grew 56 percent.



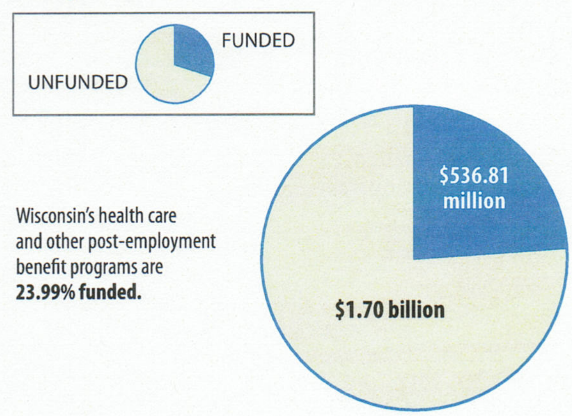
Total Bill Coming Due:	$77,412,000
Portion Unfunded:	$252,600
Annual Required Contribution (ARC):	$644,800
Percentage ARC Funded:	100.00%

Note: In thousands

PENSIONS: SOLID PERFORMER

HEALTH CARE & OTHER BENEFITS, 2006

Retiree health care and other benefits are 3 percent of Wisconsin's total retirement bill but are 87 percent of the state's retirement funding shortfall.



Total Bill Coming Due:	$2,237,204
Portion Unfunded:	$1,700,396
Annual Required Contribution (ARC):	$205,116
Percentage ARC Funded:	43.94%

Note: In thousands

HEALTH CARE & OTHER BENEFITS: 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.

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