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U.S. States' Pension Funded Ratios Drift Downward

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U.S. States' Pension Funded Ratios Drift Downward

Despite improved performance in the global equity markets that began around March 2009, the funded ratios of U.S. states' pension funds continue to drift downward, our annual survey of state pension funds shows. Without exception, reduced pension asset values relative to estimated liabilities is placing upward pressure on the annual required contributions (ARCs) of state governments, compounding what is already a difficult budget cycle for most states. In many states, large projected budget gaps are causing lawmakers to review services, programs, and benefits—including pensions.

Overview

- Pension assets relative to liabilities have declined, making higher contributions more likely;
- This is exacerbating budget pressures for many states;
- Nevertheless, states will be able to meet their debt service obligations.

Given the generally strong credit profile of the state sector, we do not view pension liabilities as immediately jeopardizing state governments' capacity to fund their debt service obligations but we believe they can weaken a state's relative credit profile. As we have for more than 30 years, we therefore reflect pension liability analysis in our ratings and, holding other factors constant, where funded ratios are low and contributions are significantly below what is recommended by actuaries, rating differentials can be observed.

Overall, our interpretation of this year's survey results and the credit implications of liabilities for pension systems of the states reflect that:

- Pension liabilities and current contributions are not presently jeopardizing any state's capacity to meet its debt service obligations;
- There is general upward pressure on recommended contributions (actuarially determined) to pension funds due to the phasing-in of market losses in 2008;
- Pension reform efforts could help contain the rate at which some estimated long-term pension liabilities are growing. The significance of near-term fiscal relief generated from these reforms in most cases remains to be seen; and,
- Early indications in 2011 suggest that deteriorating pension funded ratios—when coupled with a lack of full actuarial contributions—could serve as a source of potential credit pressure for some states.

Survey: Funded Ratios Continue Downward Trajectory

The latest complete data compiled by Standard & Poor's Ratings Services (see tables), covering valuation data through 2009 for all states and 2010 where available, show that the funded ratio--or actuarial value of assets divided by the actuarial accrued liabilities (AAL)—continues to weaken. Based on our review of the information released so far for 2010, the slide in funding ratios persists as the severe market losses from 2008 continue to be

incorporated into the actuarial value of pension assets.

Pension liabilities and the annual costs associated with funding them are important credit factors in our review of state governments. Standard & Poor's views pension obligations as long-term liabilities that must be funded over time. While the funding schedule can be more flexible than that for a fixed-debt repayment, it can also be more volatile and may cause fiscal stress if not managed, in our opinion. Because of the longer-term implications to credit that a mismanaged plan can represent, pension and other retiree benefit liabilities (OPEB) are weighted equally with debt liabilities when establishing the debt and liability profile within our U.S. state rating methodology.

In 2009, according to our analysis, the mean funded ratio for the state pension systems was 75%. This is down from an 80% mean funded ratio for the principal state pension plans in 2008 (and reported in our July 2010 survey). We expanded the scope of our 2011 survey to present a comprehensive view of the pension plans over which the states have some amount of funding responsibility. In most cases, the plans added to the 2011 survey are comparatively small in relation to what we had included previously. Portions of the pension liabilities included in the survey are funded by local governments and are not direct obligations of the states, although for the plans we include in our survey, the states provide at least some of the funding and generally include the plans reported within the states' financial disclosure (notes to their comprehensive annual financial reports, for example)

Budget Effects Are Now Appearing

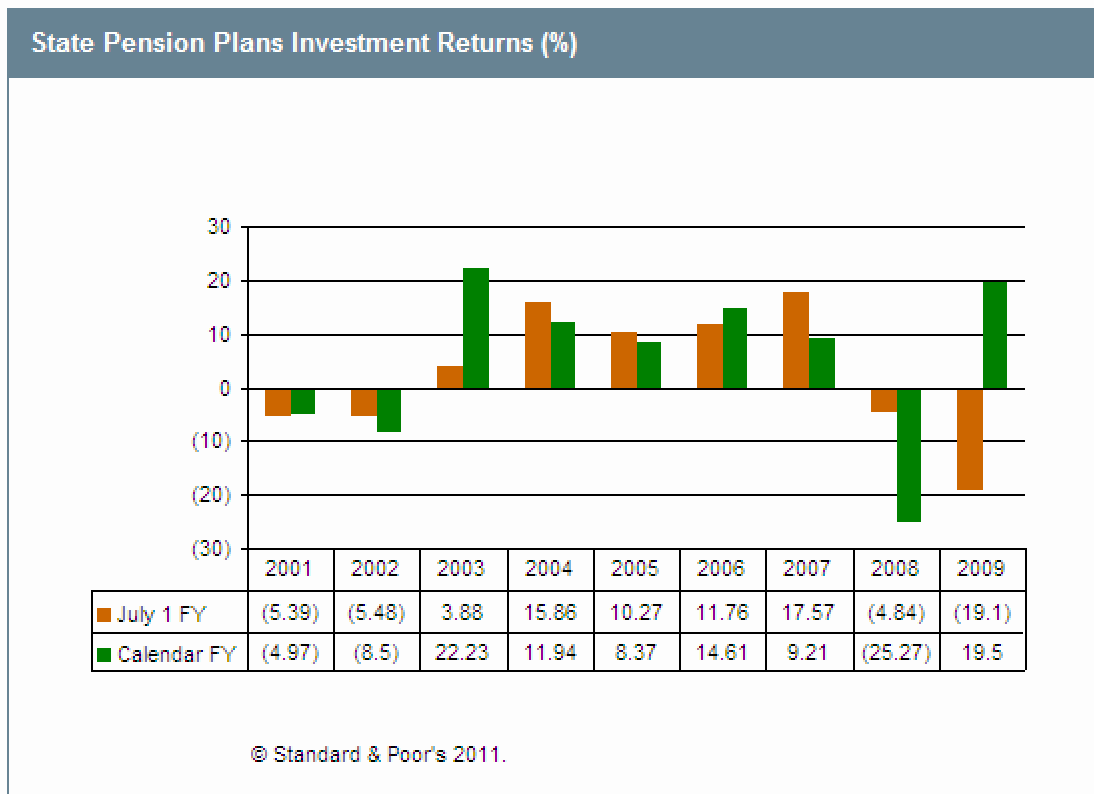
There typically is a lag between investment losses (or gains) and their budgetary impact on states. The investment performance of 2008 began translating to real budget pressure in fiscal 2009 and continues in the current fiscal year. In addition, investment performance for most plans is smoothed (described below), meaning that actuarial asset values will only partially reflect the most recent actual market performance. In the current climate, this timing dynamic means that the actuarially recommended increased pension contributions are occurring just as states' fiscal positions are absorbing the full legacy effects of the recent Great Recession. When added to reduced or depleted rainy day reserves, a winding down of federal stimulus funding, and the increased social service demands that typically accompany a recession, higher pension contributions are either adding to already stressed state budgets or are not being fully funded. We believe that this confluence of pressures helps explain the renewed focus by market participants on pension liabilities.

Averaging Of Investment Performance Reduces Funding Volatility

We believe it is important to keep in mind that volatility of assets in public pension funds does not immediately equate to a like amount of volatility in a state's annual budget. The key issue for our credit analysis regarding pensions and state budgets is assessment of the budget impact and affordability of higher pension contributions.

The funding and accounting treatment of public pension plans moderates the effect of investment market volatility on annual pension contributions. Actuarial smoothing methods allow investment losses and gains to be phased in over several years (unlike with corporate pension plans, where federal law restricts smoothing). About 88% of public pension plans have a smoothing period of four years or longer, with five years being the most common. This smoothing allows governments time to adjust budgets over several years rather than absorb the pension fund losses in one year. In the intervening years since the large losses of 2008, the markets have rebounded, which will help soften the budgetary effects from the prior losses. However, just as there was a lag between the market losses of

2008 and the increased pension contributions, we expect that it will also take time for improved investment performance to reduce the upward pressure on pension contributions.



	2001	2002	2003	2004	2005	2006	2007	2008	2009
July 1 FY	(5.39)	(5.48)	3.88	15.86	10.27	11.76	17.57	(4.84)	(19.1)
Calendar FY	(4.97)	(8.5)	22.23	11.94	8.37	14.61	9.21	(25.27)	19.5

Pension Reform Initiatives: Fueled By Market Losses; Emphasize Sustainability

We have observed a range of state actions over the past several years centered on managing long-term retirement costs and improving funding levels. To date, these actions have incrementally controlled costs or improved funding but have not dramatically changed benefit levels or funded status, especially when contrasted with asset performance. We have seen state governments focus attention on a broad range of changes including employee contribution rate increases, benefit levels, increased vesting periods, and age and service requirements. We believe that these actions could provide opportunity for cost containment over time.

Recent debates about the fundamental rights of state employees to collectively bargain have intensified the tenor of the public discourse. As voters face economic pressures and have seen market losses in their retirement accounts, taxpayer willingness to guarantee pension benefits for public employees is coming under renewed scrutiny by policymakers. Actuarial projections of future contributions necessary to fund the benefits or to restore funding levels to pension funds depict potential tradeoffs taxpayers–and voters–may be unwilling to make. Post-retirement benefits are long-term liabilities involving complex public policy choices that will not be fully resolved in the short term.

A key reason that reforms may only offer incremental fiscal relief in the short to medium term is that existing employee benefits packages may be legally protected from changes that would reduce benefits levels. Moreover, although this presumption is being questioned in some cases, most reforms we have observed thus far are applicable

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only to new employees. Although such reforms do help to contain the growth of pension liabilities into the future, they do little to address existing pension liabilities, and in some situations can worsen the funded ratios of existing plans. If an existing plan is closed and new employees join a newly created plan (presumably offering less generous benefits), their contributions are generally unavailable to the prior, now-closed plan. Employee contributions to the now-closed plan will decline as participants in these plans retire. Over time, the burden of funding the liabilities of the closed plan will gradually shift and ultimately become the responsibility solely of the sponsor government. We nonetheless believe that such reforms can represent important components of a government's overall liability management, despite potentially adding more near-term budgetary cost.

Discount Rate And Pension Liability Management

The issue of pension liabilities raises questions about reporting them. Among the most significant of these is the choice of the discount rate used to value liabilities. Standard & Poor's considers the discount rate in our overall view of a sponsor's management of its pension liabilities. Relatively high discount rates that reflect what we consider to be aggressive rate-of-return assumptions not supported by a plan's historical investment performance or current asset allocation may lead us to view current contribution requirements as artificially depressed. Likewise, a risk-free rate-of-return assumption may not align with a plan's actual and future investment performance and could substantially increase required contribution levels. Overfunded plans in the past have led to pressure from participants or other stakeholders to increase benefit levels.

Potential Regulatory, Accounting, And Reporting Changes

Various potential reporting changes are under discussion in the U.S. Congress and within the Governmental Accounting Standards Board (GASB) which establishes the accounting rules for what constitutes generally accepted accounting principles (GAAP) for state and local governments. Proposals include that the various employers of multi-employer plans be delineated and reported separately so that liabilities of individual sponsor-governments may be evaluated in isolation. Changes that would enhance the transparency and comparability of pension liabilities could be useful for credit analysis, in our view. However, another proposal to require that governments report a net pension liability on their balance sheets while simultaneously removing the requirement that governments report their ARC could make pension funding practices more opaque from an analytical perspective (see "S&P's Views Of GASB's Proposed Changes In Government Pension Accounting," published Dec. 15, 2010).

State Pension Funding History: Funded Ratios Have Been Low Previously

State governments have a long-term track record of making adjustments and improving funding ratios. Prior to GASB accounting changes in the 1980s, many public sector pension plans had very weak funded ratios and limited asset accumulation by today's standard. According to a study by the Federal Reserve, in 1975 the aggregate funded ratio of public pensions for states was 51%.

State pension funding ratios made what we consider strong gains in the 1990s, averaging more than 100% by 2000, compared with roughly 80% a decade earlier. Above-average investment returns, particularly from equities, contributed to this rapid increase. From 1990 to 2000, the average annual increase of the S&P 500 Index of domestic equities was 15%, compared with an average actuarial return assumption of about 8%. Public pension

fund investment allocations to domestic equity rose to about 60% (from 40%) over the same period. This combination of factors, coupled with steadily declining interest rates helped to produce strong fixed-income returns as well, enabling public funds to exceed their investment return assumptions and achieve the actuarial gains that led to the dramatically improved funded ratios.

In the first part of this decade, however, the funded ratio trend shifted quite rapidly when public pension funds suffered a number of setbacks. In terms of investment yields, the S&P 500 fell 16% in fiscal 2001 and was down 19% in fiscal 2002. In our opinion, in addition to falling asset values, a number of other factors led to rising liabilities, including members' increased longevity and the phasing-in of previously granted benefit enhancements. The combination of falling assets and rising liabilities caused average state pension funding levels to fall from their peak in 2000.

Pension Liabilities And State Debt

Table 1 below contains selected pension and debt information for each state. The data are mostly as of 2009 (fiscal year end 2009 for debt data), which is the most recent year with substantially complete data availability. The pension data are combined for the state-sponsored, defined-benefit pension funds: generally the public employees' retirement system, including state and local employees in most cases, plus the teachers' retirement system. In some cases, a state may have just one combined system for all employees, while others may have additional systems for specific categories of employees, such as public safety officials, judges, legislators among others. Table 2 shows the 2010 data that is available so far.

State sponsors have varying degrees of responsibility for funding pension plans. For example, in the case of multi-employer agent systems, the state would make contributions to plans that include its employees only, with local agencies contributing to their respective plans. For multi-employer cost-sharing systems, which can include a number of local jurisdictions like school districts with contributions from both employers and employees, the state may be a non-employer contributor. Therefore, with some exceptions, states are generally not directly responsible for the full liabilities of these pension systems. However, even in cases where pensions are direct liabilities of and funded from local agencies, a portion of the local agencies' funding is often derived from the states.

Rating Criteria Consider Pension Liabilities

Under our criteria (see U.S. State Ratings Methodology, published Jan. 3, 2011), our ratings on U.S. state debt consider a state's debt and liability profile as one of the five major factors that determine a state rating. Within this factor, debt, pension liabilities, and other post-employment benefits are the key metrics which we score individually. Because pension and retiree health benefits are long-term obligations that must be funded over time, the size and management of these liabilities are weighted equally with debt in our analysis.

Strictly quantitative comparisons are difficult due to the significant variation in how these liabilities are calculated however. Actuarial treatment of investment returns and the smoothing methods utilized by governments we rate also exhibit high variability and can materially affect estimated state pension liabilities. For this reason, we do not evaluate a state's reported unfunded pension and retiree health benefit liabilities plus existing debt in an additive manner when computing debt ratios. Instead, we analyze the management of and certain ratios for a state's debt portfolio, pension liabilities, and retiree health benefits liabilities individually before consolidating our view of the

state's debt and liability profile.

In our annual survey, we have reported state debt and unfunded pension liabilities separately and on a combined basis in recent years in order to give a comparative framework for these liabilities. The pension information includes the systems' funded ratio for each state and the UAAL; the UAAL is also expressed on a per capita basis. Tax-supported debt is shown for each state in total as well as on a per capita basis. Pension and debt figures are combined on a per capita basis and then expressed as a percent of per capita income and per capita gross state product as measures of economic resources to meet these obligations. Highlights of the data include:

- State debt rose to $429 billion in fiscal 2009 from $396 billion in fiscal 2008, an 8.3% increase;
- Unfunded pension liabilities total $661 billion as of 2009 and are not directly comparable to figures we reported for prior years since we have expanded the scope of our survey;
- Average debt per capita increased modestly to $1,287 in fiscal 2009 compared to $1,141 in fiscal 2008;
- The average UAAL per capita is $2,527 in 2009;
- Even with the aggregate decline in funded ratios, 12 states remain above 85% funded, 31 states retain funded ratios of 70% or higher and 44 states have funded ratios of 60% or higher , and
- In relation to the resources available to service these requirements, debt per capita and the per capita unfunded pension liability relative to per capita gross state product had a 50-state average of 8.5% in 2009.

Pension Liabilities Will Need To Be Managed

Recent investment declines have cut across most asset classes and will likely pressure governmental budgets for a number of years into the future. Most governments have a track record of absorbing increased contributions due to the phased-in nature of these increases. However, apart from pension plans themselves, recent fiscal stress from the recession—including underperforming revenues and upward trending baseline expenses—have contributed to testing the states' commitment to meeting their full actuarial funding contributions, if they have been made to begin with. We will continue to incorporate governmental liability management—including for pensions—into our rating analysis. States with declining pension liability funded ratios that, in addition, underfund their current contributions, could face intensifying credit pressure.

Table 1A

State Retirement Systems And Debt Statistics: 2009

(Alphabetical)

	%	$					%		
State	**Funded Ratio**	**UAAL (Mil.)**	**UAAL PC**	**Debt (Mil.)**	**Debt PC**	**Debt PC + UAAL PC**	**(Debt PC + UAAL PC) / Income PC**	**(Debt PC + UAAL PC) / GSP PC**	**GO Rating**
Alabama	73.9	10,871	2,309	3,340	709	3,018	9.0	5.3	AA/Stable
Alaska	60.4	5,994	8,587	940	1,347	9,934	23.0	14.9	AA+/Stable
Arizona	77.0	10,293	1,561	5,187	786	2,347	7.1	6.1	AA-/Negative
Arkansas	77.3	5,118	1,772	1,170	405	2,177	6.7	6.2	AA/Stable
California	80.7	94,664	2,561	74,518	2,016	4,577	10.8	9.0	A-/Negative
Colorado	68.9	16,938	3,371	1,642	327	3,698	8.8	7.4	AA/Stable
Connecticut	61.6	15,859	4,508	16,681	4,742	9,250	16.7	13.0	AA/Stable
Delaware	94.4	430	485	1,469	1,660	2,145	5.4	3.2	AAA/Stable

Table 1A

State Retirement Systems And Debt Statistics: 2009 (cont.)									
Florida	87.1	18	1	24,628	1,329	1,330	3.4	3.4	AAA/Negative
Georgia	87.1	10,342	1,052	9,116	928	1,980	5.8	4.9	AAA/Stable
Hawaii	64.6	6,236	4,816	4,780	3,691	8,507	20.2	16.8	AA/Stable
Idaho	73.6	3,186	2,061	279	181	2,242	7.0	6.5	AA+/Stable
Illinois	50.6	62,439	4,837	24,297	1,882	6,719	16.1	14.0	A+/Negative
Indiana	66.4	12,266	1,910	3,240	504	2,414	7.1	6.0	AAA/Stable
Iowa	80.9	5,085	1,691	2,160	718	2,410	6.4	5.3	AAA/Stable
Kansas	58.8	8,279	2,937	3,058	1,085	4,022	10.2	9.2	AA+/Stable
Kentucky	60.9	17,912	4,152	9,100	2,109	6,261	19.4	17.5	AA-/Stable
Louisiana	60.0	15,851	3,529	5,147	1,146	4,675	12.5	10.1	AA-/Stable
Maine	72.6	3,943	2,992	4,946	3,753	6,745	18.5	17.6	AA/Negative
Maryland	64.2	17,683	3,103	8,730	1,532	4,635	9.6	9.3	AAA/Stable
Massachusetts	63.3	23,157	3,512	26,319	3,991	7,503	15.1	13.7	AA/Positive
Michigan	78.9	15,420	1,547	6,320	634	2,181	6.4	6.0	AA-/Stable
Minnesota	72.8	17,625	3,347	6,068	1,152	4,499	10.7	9.2	AAA/Stable
Mississippi	67.2	10,292	3,487	6,074	2,058	5,545	18.2	17.2	AA/Stable
Missouri	78.2	11,448	1,912	5,639	942	2,854	7.9	7.2	AAA/Stable
Montana	74.3	2,646	2,713	183	188	2,901	8.3	7.9	AA/Stable
Nebraska	87.6	1,167	649	0	0	649	1.7	1.4	AA+/Stable
Nevada	72.4	9,132	3,455	2,124	804	4,259	11.3	9.0	AA/Stable
New Hampshire	58.3	3,538	2,670	814	614	3,284	7.7	7.4	AA/Stable
New Jersey	66.0	45,809	5,261	30,056	3,452	8,713	17.4	15.9	AA-/Stable
New Mexico	75.2	7,322	3,643	2,928	1,457	5,100	15.4	13.8	AA+/Stable
New York	102.1	(4,872)	(249)	46,003	2,354	2,105	4.5	3.8	AA/Stable
North Carolina	96.7	2,546	271	6,900	736	1,007	2.9	2.4	AAA/Stable
North Dakota	81.4	834	1,289	269	416	1,705	4.2	3.5	AA+/Stable
Ohio	67.5	64,318	5,572	9,920	859	6,431	18.1	15.9	AA+/Negative
Oklahoma	57.4	14,833	4,023	1,909	518	4,541	12.7	10.9	AA+/Stable
Oregon	85.8	8,081	2,112	7,127	1,863	3,975	11.0	9.2	AA+/Stable
Pennsylvania	80.8	21,331	1,692	10,030	796	2,488	6.2	5.7	AA/Stable
Rhode Island	58.7	4,747	4,509	1,876	1,782	6,291	15.2	19.3	AA/Negative
South Carolina	68.7	13,179	2,890	2,200	482	3,372	10.4	9.7	AA+/Stable
South Dakota	91.7	614	757	105	129	886	2.3	1.9	AA+/Stable
Tennessee	89.9	3,539	562	1,744	277	839	2.5	2.2	AA+/Stable
Texas	84.1	24,696	997	12,889	520	1,517	3.9	3.3	AA+/Stable
Utah	86.6	3,075	1,104	1,715	616	1,720	5.4	4.3	AAA/Stable
Vermont	71.1	1,054	1,695	458	736	2,431	6.2	6.0	AA+/Stable
Virginia	79.7	14,012	1,778	6,944	881	2,659	6.0	5.2	AAA/Stable
Washington	92.2	4,827	724	15,056	2,259	2,983	6.9	5.9	AA+/Stable
West Virginia	56.0	6,350	3,489	1,659	912	4,401	13.7	12.9	AA/Stable
Wisconsin	99.8	193	34	11,240	1,988	2,022	5.4	4.8	AA/Stable
Wyoming	79.3	1,444	2,655	41	75	2,730	5.7	4.0	AA+/Stable
Puerto Rico*	9.8	17,092	4,330	35,190	8,915	13,245	93.0	86.0	BBB/Stable

Table 1A

State Retirement Systems And Debt Statistics: 2009 (cont.)									
Average*	74.9	13,115	2,527	8,581	1,287	3,813	9.7	8.5	
Median*	74.1	8,180	2,435	4,946	896	3,001	8.1	7.3	
Total Liability*		660,638							

* Puerto Rico is not included in the average, median, or total. UAAL-unfunded actuarial accrued liabilities; PC-per capita; GSP-gross state product. Ratings as of March 30, 2011.

Table 1B

State Retirement Systems And Debt Statistics: 2009

(Ranked By Funded Ratio)

	%	$					%		
State	**Funded Ratio**	**UAAL (Mil.)**	**UAAL PC**	**Debt (Mil.)**	**Debt PC**	**Debt PC + UAAL PC**	**(Debt PC + UAAL PC) / Income PC**	**(Debt PC + UAAL PC) / GSP PC**	**GO Rating**
New York	102.1	(4,872)	(249)	46,003	2,354	2,105	4.5	3.8	AA/Stable
Wisconsin	99.8	193	34	11,240	1,988	2,022	5.4	4.8	AA/Stable
North Carolina	96.7	2,546	271	6,900	736	1,007	2.9	2.4	AAA/Stable
Delaware	94.4	430	485	1,469	1,660	2,145	5.4	3.2	AAA/Stable
Washington	92.2	4,827	724	15,056	2,259	2,983	6.9	5.9	AA+/Stable
South Dakota	91.7	614	757	105	129	886	2.3	1.9	AA+/Stable
Tennessee	89.9	3,539	562	1,744	277	839	2.5	2.2	AA+/Stable
Nebraska	87.6	1,167	649	0	0	649	1.7	1.4	AA+/Stable
Florida	87.1	18	1	24,628	1,329	1,330	3.4	3.4	AAA/Negative
Georgia	87.1	10,342	1,052	9,116	928	1,980	5.8	4.9	AAA/Stable
Utah	86.6	3,075	1,104	1,715	616	1,720	5.4	4.3	AAA/Stable
Oregon	85.8	8,081	2,112	7,127	1,863	3,975	11.0	9.2	AA+/Stable
Texas	84.1	24,696	997	12,889	520	1,517	3.9	3.3	AA+/Stable
North Dakota	81.4	834	1,289	269	416	1,705	4.2	3.5	AA+/Stable
Iowa	80.9	5,085	1,691	2,160	718	2,410	6.4	5.3	AAA/Stable
Pennsylvania	80.8	21,331	1,692	10,030	796	2,488	6.2	5.7	AA/Stable
California	80.7	94,664	2,561	74,518	2,016	4,577	10.8	9.0	A-/Negative
Virginia	79.7	14,012	1,778	6,944	881	2,659	6.0	5.2	AAA/Stable
Wyoming	79.3	1,444	2,655	41	75	2,730	5.7	4.0	AA+/Stable
Michigan	78.9	15,420	1,547	6,320	634	2,181	6.4	6.0	AA-/Stable
Missouri	78.2	11,448	1,912	5,639	942	2,854	7.9	7.2	AAA/Stable
Arkansas	77.3	5,118	1,772	1,170	405	2,177	6.7	6.2	AA/Stable
Arizona	77.0	10,293	1,561	5,187	786	2,347	7.1	6.1	AA-/Negative
New Mexico	75.2	7,322	3,643	2,928	1,457	5,100	15.4	13.8	AA+/Stable
Montana	74.3	2,646	2,713	183	188	2,901	8.3	7.9	AA/Stable
Alabama	73.9	10,871	2,309	3,340	709	3,018	9.0	5.3	AA/Stable
Idaho	73.6	3,186	2,061	279	181	2,242	7.0	6.5	AA+/Stable
Minnesota	72.8	17,625	3,347	6,068	1,152	4,499	10.7	9.2	AAA/Stable
Maine	72.6	3,943	2,992	4,946	3,753	6,745	18.5	17.6	AA/Negative
Nevada	72.4	9,132	3,455	2,124	804	4,259	11.3	9.0	AA/Stable

Table 1B

State Retirement Systems And Debt Statistics: 2009 (cont.)								
Vermont	71.1	1,054	1,695	458	736	2,431	6.2	6.0 AA+/Stable
Colorado	68.9	16,938	3,371	1,642	327	3,698	8.8	7.4 AA/Stable
South Carolina	68.7	13,179	2,890	2,200	482	3,372	10.4	9.7 AA+/Stable
Ohio	67.5	64,318	5,572	9,920	859	6,431	18.1	15.9 AA+/Negative
Mississippi	67.2	10,292	3,487	6,074	2,058	5,545	18.2	17.2 AA/Stable
Indiana	66.4	12,266	1,910	3,240	504	2,414	7.1	6.0 AAA/Stable
New Jersey	66.0	45,809	5,261	30,056	3,452	8,713	17.4	15.9 AA-/Stable
Hawaii	64.6	6,236	4,816	4,780	3,691	8,507	20.2	16.8 AA/Stable
Maryland	64.2	17,683	3,103	8,730	1,532	4,635	9.6	9.3 AAA/Stable
Massachusetts	63.3	23,157	3,512	26,319	3,991	7,503	15.1	13.7 AA/Positive
Connecticut	61.6	15,859	4,508	16,681	4,742	9,250	16.7	13.0 AA/Stable
Kentucky	60.9	17,912	4,152	9,100	2,109	6,261	19.4	17.5 AA-/Stable
Alaska	60.4	5,994	8,587	940	1,347	9,934	23.0	14.9 AA+/Stable
Louisiana	60.0	15,851	3,529	5,147	1,146	4,675	12.5	10.1 AA-/Stable
Kansas	58.8	8,279	2,937	3,058	1,085	4,022	10.2	9.2 AA+/Stable
Rhode Island	58.7	4,747	4,509	1,876	1,782	6,291	15.2	19.3 AA/Negative
New Hampshire	58.3	3,538	2,670	814	614	3,284	7.7	7.4 AA/Stable
Oklahoma	57.4	14,833	4,023	1,909	518	4,541	12.7	10.9 AA+/Stable
West Virginia	56.0	6,350	3,489	1,659	912	4,401	13.7	12.9 AA/Stable
Illinois	50.6	62,439	4,837	24,297	1,882	6,719	16.1	14.0 A+/Negative
Puerto Rico*	9.8	17,092	4,330	35,190	8,915	13,245	93.0	86.0 BBB/Stable
Average*	74.9	13,115	2,527	8,581	1,287	3,813	9.7	8.5
Median*	74.1	8,180	2,435	4,946	896	3,001	8.1	7.3
Total Liability*		660,638						

* Puerto Rico is not included in the average, median, or total. UAAL-unfunded actuarial accrued liabilities; PC-per capita; GSP-gross state product. Ratings as of March 30, 2011.

Table 1C

State Retirement Systems And Debt Statistics: 2009

(Ranked By Per Capita Debt & UAAL)

	$	%	$				%		
State	**Debt PC + UAAL PC**	**Funded Ratio**	**UAAL (Mil.)**	**UAAL PC**	**Debt (Mil.)**	**Debt PC**	**(Debt PC + UAAL PC) / Income PC**	**(Debt PC + UAAL PC) / GSP PC**	**GO Rating**
Nebraska	649	87.6	1,167	649	0	0	1.7	1.4	AA+/Stable
Tennessee	839	89.9	3,539	562	1,744	277	2.5	2.2	AA+/Stable
South Dakota	886	91.7	614	757	105	129	2.3	1.9	AA+/Stable
North Carolina	1,007	96.7	2,546	271	6,900	736	2.9	2.4	AAA/Stable
Florida	1,330	87.1	18	1	24,628	1,329	3.4	3.4	AAA/Negative
Texas	1,517	84.1	24,696	997	12,889	520	3.9	3.3	AA+/Stable
North Dakota	1,705	81.4	834	1,289	269	416	4.2	3.5	AA+/Stable
Utah	1,720	86.6	3,075	1,104	1,715	616	5.4	4.3	AAA/Stable
Georgia	1,980	87.1	10,342	1,052	9,116	928	5.8	4.9	AAA/Stable
Wisconsin	2,022	99.8	193	34	11,240	1,988	5.4	4.8	AA/Stable

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Table 1C

State Retirement Systems And Debt Statistics: 2009 (cont.)									
New York	2,105	102.1	(4,872)	(249)	46,003	2,354	4.5	3.8	AA/Stable
Delaware	2,145	94.4	430	485	1,469	1,660	5.4	3.2	AAA/Stable
Arkansas	2,177	77.3	5,118	1,772	1,170	405	6.7	6.2	AA/Stable
Michigan	2,181	78.9	15,420	1,547	6,320	634	6.4	6.0	AA-/Stable
Idaho	2,242	73.6	3,186	2,061	279	181	7.0	6.5	AA+/Stable
Arizona	2,347	77.0	10,293	1,561	5,187	786	7.1	6.1	AA-/Negative
Iowa	2,410	80.9	5,085	1,691	2,160	718	6.4	5.3	AAA/Stable
Indiana	2,414	66.4	12,266	1,910	3,240	504	7.1	6.0	AAA/Stable
Vermont	2,431	71.1	1,054	1,695	458	736	6.2	6.0	AA+/Stable
Pennsylvania	2,488	80.8	21,331	1,692	10,030	796	6.2	5.7	AA/Stable
Virginia	2,659	79.7	14,012	1,778	6,944	881	6.0	5.2	AAA/Stable
Wyoming	2,730	79.3	1,444	2,655	41	75	5.7	4.0	AA+/Stable
Missouri	2,854	78.2	11,448	1,912	5,639	942	7.9	7.2	AAA/Stable
Montana	2,901	74.3	2,646	2,713	183	188	8.3	7.9	AA/Stable
Washington	2,983	92.2	4,827	724	15,056	2,259	6.9	5.9	AA+/Stable
Alabama	3,018	73.9	10,871	2,309	3,340	709	9.0	5.3	AA/Stable
New Hampshire	3,284	58.3	3,538	2,670	814	614	7.7	7.4	AA/Stable
South Carolina	3,372	68.7	13,179	2,890	2,200	482	10.4	9.7	AA+/Stable
Colorado	3,698	68.9	16,938	3,371	1,642	327	8.8	7.4	AA/Stable
Oregon	3,975	85.8	8,081	2,112	7,127	1,863	11.0	9.2	AA+/Stable
Kansas	4,022	58.8	8,279	2,937	3,058	1,085	10.2	9.2	AA+/Stable
Nevada	4,259	72.4	9,132	3,455	2,124	804	11.3	9.0	AA/Stable
West Virginia	4,401	56.0	6,350	3,489	1,659	912	13.7	12.9	AA/Stable
Minnesota	4,499	72.8	17,625	3,347	6,068	1,152	10.7	9.2	AAA/Stable
Oklahoma	4,541	57.4	14,833	4,023	1,909	518	12.7	10.9	AA+/Stable
California	4,577	80.7	94,664	2,561	74,518	2,016	10.8	9.0	A-/Negative
Maryland	4,635	64.2	17,683	3,103	8,730	1,532	9.6	9.3	AAA/Stable
Louisiana	4,675	60.0	15,851	3,529	5,147	1,146	12.5	10.1	AA-/Stable
New Mexico	5,100	75.2	7,322	3,643	2,928	1,457	15.4	13.8	AA+/Stable
Mississippi	5,545	67.2	10,292	3,487	6,074	2,058	18.2	17.2	AA/Stable
Kentucky	6,261	60.9	17,912	4,152	9,100	2,109	19.4	17.5	AA-/Stable
Rhode Island	6,291	58.7	4,747	4,509	1,876	1,782	15.2	19.3	AA/Negative
Ohio	6,431	67.5	64,318	5,572	9,920	859	18.1	15.9	AA+/Negative
Illinois	6,719	50.6	62,439	4,837	24,297	1,882	16.1	14.0	A+/Negative
Maine	6,745	72.6	3,943	2,992	4,946	3,753	18.5	17.6	AA/Negative
Massachusetts	7,503	63.3	23,157	3,512	26,319	3,991	15.1	13.7	AA/Positive
Hawaii	8,507	64.6	6,236	4,816	4,780	3,691	20.2	16.8	AA/Stable
New Jersey	8,713	66.0	45,809	5,261	30,056	3,452	17.4	15.9	AA-/Stable
Connecticut	9,250	61.6	15,859	4,508	16,681	4,742	16.7	13.0	AA/Stable
Alaska	9,934	60.4	5,994	8,587	940	1,347	23.0	14.9	AA+/Stable
Puerto Rico*	13,245	9.8	17,092	4,330	35,190	8,915	93.0	86.0	BBB/Stable
Average*	3,813	74.9	13,115	2,527	8,581	1,287	9.7	8.5	
Median*	3,001	74.1	8,180	2,435	4,946	896	8.1	7.3	

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Table 1C

State Retirement Systems And Debt Statistics: 2009 (cont.)	
Total Liability*	660,638

* Puerto Rico is not included in the average, median, or total. UAAL-unfunded actuarial accrued liabilities; PC-per capita; GSP-gross state product. Ratings as of March 30, 2011.

Table 2

Data For 2010 (Alphabetical)

(Where available and reported)

	%	$		
State	**Funded Ratio**	**UAAL (Mil.)**	**UAAL PC**	**GO Rating**
Alabama	N/A	N/A	N/A	AA/Stable
Alaska	N/A	N/A	N/A	AA+/Stable
Arizona	N/A	N/A	N/A	AA-/Negative
Arkansas	76.0	5,559	1,906	AA/Stable
California	N/A	N/A	N/A	A-/Negative
Colorado	N/A	N/A	N/A	AA/Stable
Connecticut	53.4	20,867	5,839	AA/Stable
Delaware	92.0	633	715	AAA/Stable
Florida	86.6	18,723	996	AAA/Negative
Georgia	N/A	N/A	N/A	AAA/Stable
Hawaii	61.4	7,138	5,247	AA/Stable
Idaho	78.4	2,708	1,728	AA+/Stable
Illinois	45.4	75,741	5,903	A+/Watch Neg
Indiana	N/A	N/A	N/A	AAA/Stable
Iowa	81.0	5,132	1,685	AAA/Stable
Kansas	N/A	N/A	N/A	AA+/Stable
Kentucky	56.9	20,616	4,779	AA-/Stable
Louisiana	55.9	18,234	4,059	AA-/Stable
Maine	70.4	4,384	3,326	AA/Negative
Maryland	63.9	19,656	3,404	AAA/Stable
Massachusetts	67.7	21,240	3,244	AA/Positive
Michigan	N/A	N/A	N/A	AA-/Stable
Minnesota	75.6	14,985	2,846	AAA/Stable
Mississippi	64.0	11,580	3,923	AA/Stable
Missouri	75.8	13,174	2,200	AAA/Stable
Montana	70.0	3,316	3,401	AA/Stable
Nebraska	83.8	1,603	892	AA+/Stable
Nevada	70.5	10,387	3,930	AA/Stable
New Hampshire	58.5	3,720	2,808	AA/Stable
New Jersey	N/A	N/A	N/A	AA-/Stable
New Mexico	N/A	N/A	N/A	AA+/Stable
New York	N/A	N/A	N/A	AA/Stable
North Carolina	N/A	N/A	N/A	AAA/Stable
North Dakota	72.1	1,391	2,150	AA+/Stable

Table 2

Data For 2010 (Alphabetical) (cont.)				
Ohio	N/A	N/A	N/A	AA+/Negative
Oklahoma	55.9	16,051	4,279	AA+/Stable
Oregon	N/A	N/A	N/A	AA+/Stable
Pennsylvania	N/A	N/A	N/A	AA/Stable
Rhode Island	N/A	N/A	N/A	AA/Negative
South Carolina	N/A	N/A	N/A	AA+/Stable
South Dakota	96.3	273	336	AA+/Stable
Tennessee	N/A	N/A	N/A	AA+/Stable
Texas	83.3	27,364	1,088	AA+/Stable
Utah	N/A	N/A	N/A	AAA/Stable
Vermont	72.7	1,006	1,607	AA+/Stable
Virginia	N/A	N/A	N/A	AAA/Stable
Washington	N/A	N/A	N/A	AA+/Stable
West Virginia	N/A	N/A	N/A	AA/Stable
Wisconsin	N/A	N/A	N/A	AA/Stable
Wyoming	88.8	830	1,473	AA+/Stable
Puerto Rico	N/A	N/A	N/A	BBB/Stable

* UAAL-unfunded actuarial accrued liabilities; PC-per capita; Ratings as of March 30, 2011

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