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## **Fitch: U.S. State Pension Burdens Trending Higher Than Debt.**

Fitch Ratings-New York-12 December 2017: U.S. states continue to keep overall debt largely in check, though their pension burdens are larger and rising according to Fitch Ratings in a new report.

Fitch's calculations showed a modest year-over-year increase in median state long-term liability burdens at 6% of 2016 personal income compared to 5.6% one year earlier. Fitch attributed the entire year-over-year increase to defined benefit pension liabilities versus bonded debt. Nonetheless, Fitch still deems the median state liability burden low relative to state resources.

A different picture emerges when assessing liability burdens for individual states. Fitch calculated that six states have liability burdens eclipsing 20% of personal income. Illinois tops the list with a total liability burden equal to 28% of personal income, followed by Connecticut, Kentucky, New Jersey, Alaska and Massachusetts. By contrast, 38 states carry liability burdens below 10% of personal income, with Nebraska the lowest at 1.4%.

The disparity in liability burdens is driven mostly by pension obligations. Many states with elevated pension burdens provide pensions not only to state retirees but also to local teachers. Additionally, a history of weak contribution practices has resulted in actuaries forecasting that pension assets will be depleted for many states with the highest pension burdens. This requires a more conservative calculation of pensions under current accounting rules.

"Unlike bonded debt, state pension burdens continued to rise," said Senior Director Douglas Offerman. "Factors driving this growth include weaker than expected asset performance during the most recent reporting period, inadequate contributions by some governments, long-term demographic trends and the continued shift by states toward lower discount rates."

'Pensions Driving State Liability Burdens' is available at '[www.fitchratings.com](http://www.fitchratings.com)'

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