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The State Pension Funding Gap: 2014

New accounting rules help provide a clearer picture

Overview

The nation's state-run retirement systems had a \$934 billion gap in fiscal year 2014 between the pension benefits that governments have promised their workers and the funding available to meet those obligations. That represents a \$35 billion decrease from the shortfall reported for fiscal 2013. The reduction in pension debt was driven primarily by strong investment results, with public plans in fiscal 2014 averaging a 17 percent rate of return.¹

This brief focuses on the most recent comprehensive data from all 50 states and does not reflect the impact of weaker investment performance in fiscal 2015, which averaged 3 percent.² Performance has been even weaker in the first three quarters of fiscal 2016, with negative average returns. Preliminary data from fiscal 2015 point to increases in unfunded liabilities for the majority of states. Total pension debt is expected to be over \$1 trillion for state plans, an increase of more than 10 percent from fiscal 2014.

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The Pew Charitable Trusts

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