West Virginia sees public pension improvements over decade, but still largely underfunded

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By Steven Allen Adams

CHARLESTON — Out of all 50 states, West Virginia saw the largest improvement in its public employee pension funds, but a new report warns that the state has more to do to sure up its pension programs.

The Cato Institute, a libertarian think tank based in Washington, D.C. released a report today, titled "State and Local Pension Plans: Funding Status, Asset Management, and a Look Ahead." According to the report, West Virginia ranked first for most improved actuarial funding ratio (AFR) between 2001 and 2009.

The report was authored by Jagadeesh Gokhale, a senior fellow at the Cato Institute and a member of the Social Security Advisory Board. The report and other experts consider pension plans with assets above 80 percent of plan liabilities to be adequately funded.

In 2001, West Virginia's public pensions were 45.1 percent funded and ranked 50th nationally. In 2009, West Virginia. By 2009, West Virginia's public pension funding improved to 50.3 percent. The state's public pensions improved by 5.2 percent during that time, making West Virginia's pension plans the most improved of all 50 states.

Wisconsin came in second, New York came in third, Nebraska came in fourth, and Connecticut came in fifth. The calculations are based on state pension actuarial reports and state government comprehensive annual financial reports.

Gokhale said the states with the worst AFR levels in 2001, including West Virginia, buckled down to improve the funding of their pension plans. But even with those efforts, the gains were very small.

“Those high ranks do not imply that these states actually improved their funding ratios, just that they did not worsen them as much as other states did,” Gokhale said.

The state manages nine pension plans: The Public Employee Retirement System (PERS), the Teachers’ Retirement System (TRS), the Teachers’ Defined Contribution system (TDC), two State Police plans, the Judges’ Retirement System (JRS), the Deputy Sheriffs’ Retirement System (DSRS), the Emergency Medical Services Retirement System (EMSRS), and the Municipal Police and Firefighters Retirement System (MPFRS).

Of those plans, six have unfunded liabilities: PERS, TRS, both State Police plans, DSRS, and EMSRS. Combined, the plans are only 58 percent funded, which is better than Cato’s 2009 numbers, but still below the 80 percent funding threshold.

The two largest plans, PERS and TRS, saw modest improvements in their funding between fiscal year 2010 and fiscal year 2011. PERS improved by 3.8 percent, from 74.6 percent funded to 78.4 percent funded by July 1, 2011. The fund has an unfunded liability of $1.192 billion.

TRS, which has the highest unfunded liability of all the plans managed by Consolidated Public Retirement Board (CPRB), improved by 7.2 percent, from 46.5 percent funded in fiscal year 2010 to 53.7 percent funded by fiscal year 2011. The plan has an unfunded liability of $4.37 billion.

The total unfunded liability for fiscal year 2011 for six plans was $5.738 billion. The market value for assets in those pensions plans was $10.092 billion.

The state’s pensions are much better than fiscal year 2009, when the Pew Center on the States listed West Virginia as the second worst funded public pension program in the nation behind Illinois for that year.