



The Primary and Supplemental Retirement Plans of State and Local Governments

October 14, 2014

**Joshua Franzel, PhD
Vice President, Research
Center for State and Local Government Excellence
Washington, DC**

jfranzel@slge.org

The U.S. State and Local Government Pension Plan Context

- 50 states + about 90,000 local governments (2012); 14.4 million full time employees (2012)
- About 4000 state and local government public employee retirement systems (2012); 19.6 million active and inactive members and 9 million retirees (2012)
- 86% of state workers have access to a defined benefit pension plan; 43% have access to a defined contribution plan (2014)
- 82% of local workers have access to a defined benefit pension plan; 30% have access to a defined contribution plan (2014)
- Note: about 30% of state and local workers do not participate in Social Security

State Employees

Plan Type
Defined Benefit Plan
Defined Contribution Plan
Choice between plan types
Hybrid Plan (DB/DC or Cash Balance)

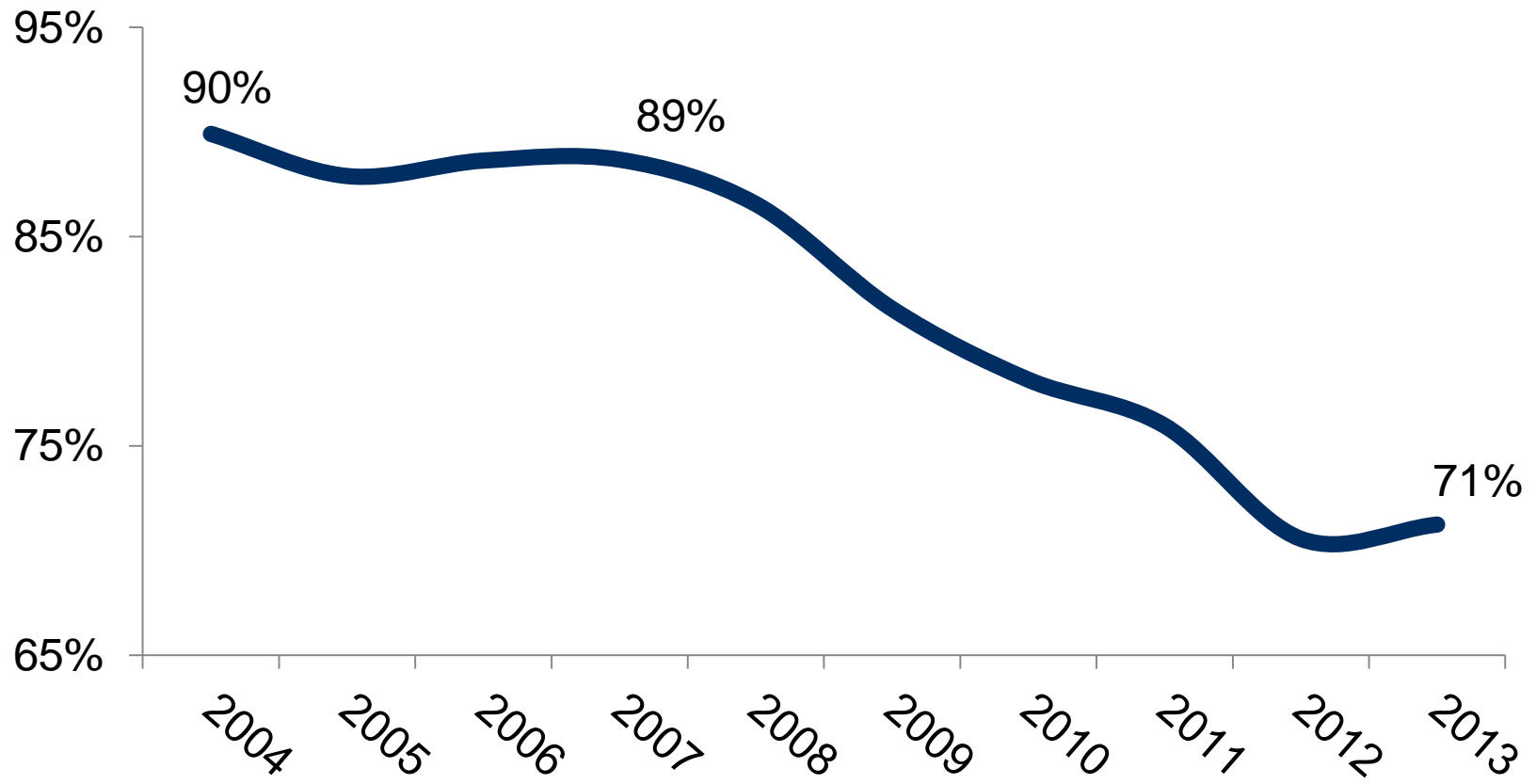
A blue rectangle with the letter 'P' at the top and the letter 'R' at the bottom.

Source: National Conference of State Legislatures, Checklist of State Defined Benefit, Defined Contribution and Hybrid Plans for State Employees and Teachers (2012)
Note: Some of the structures listed have changed since 2012 (National Association of State Retirement Administrators).

Plan Assets, as of Q2 2014

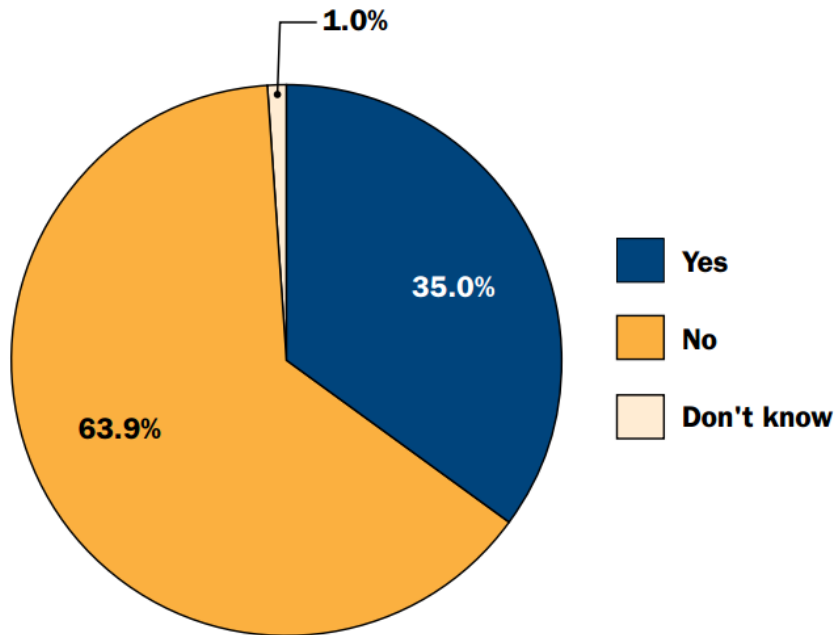
- Aggregate state and local **defined benefit** plan assets:
 - \$4.8 trillion
- Aggregate state and local **defined contribution** plan [403(b) ; 457] assets:
 - \$538 billion

U.S. State and Local Pensions: Average Funded Ratio

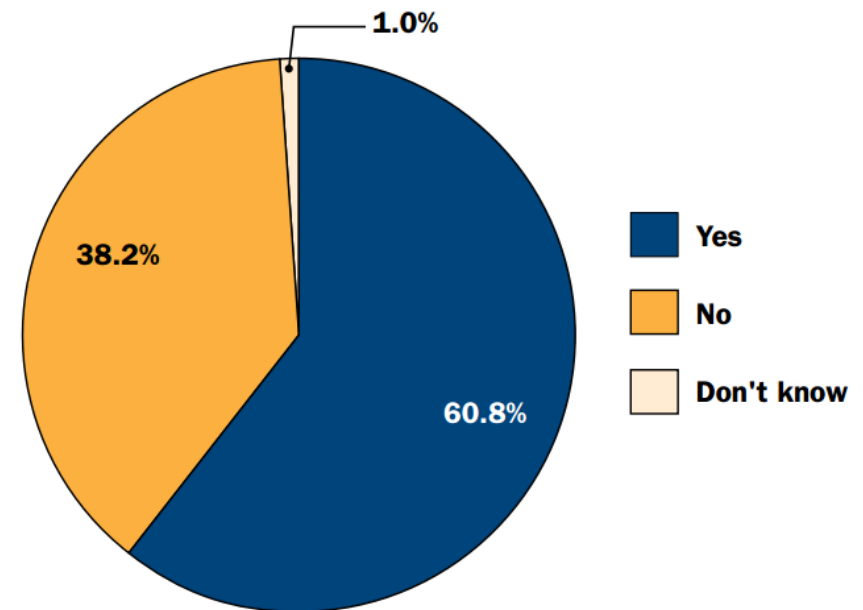


Retirement and Health Benefit Changes - 2014 Survey

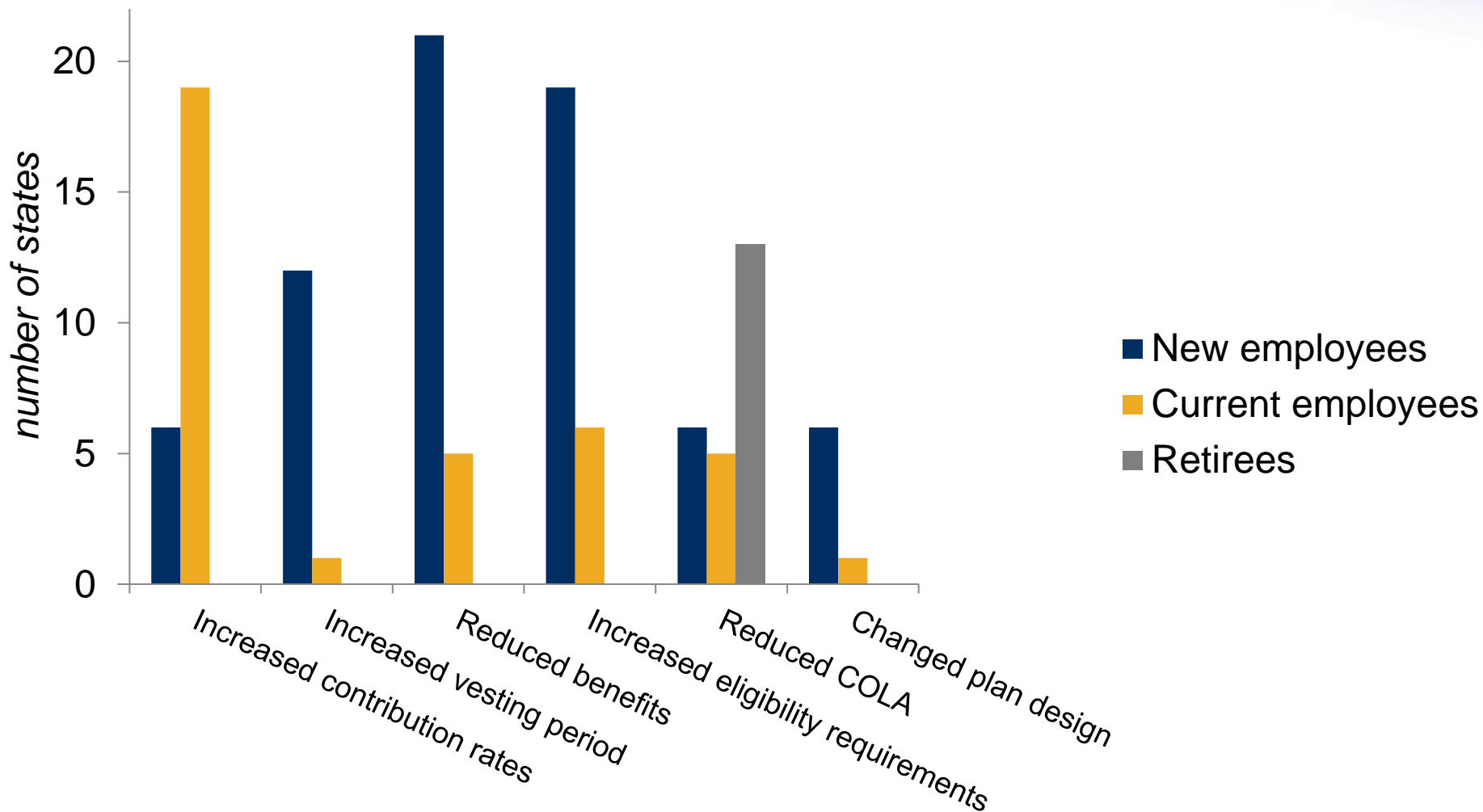
Over the past year, has your government made any changes to the retirement benefits you offer to your employees? ($n = 294$)



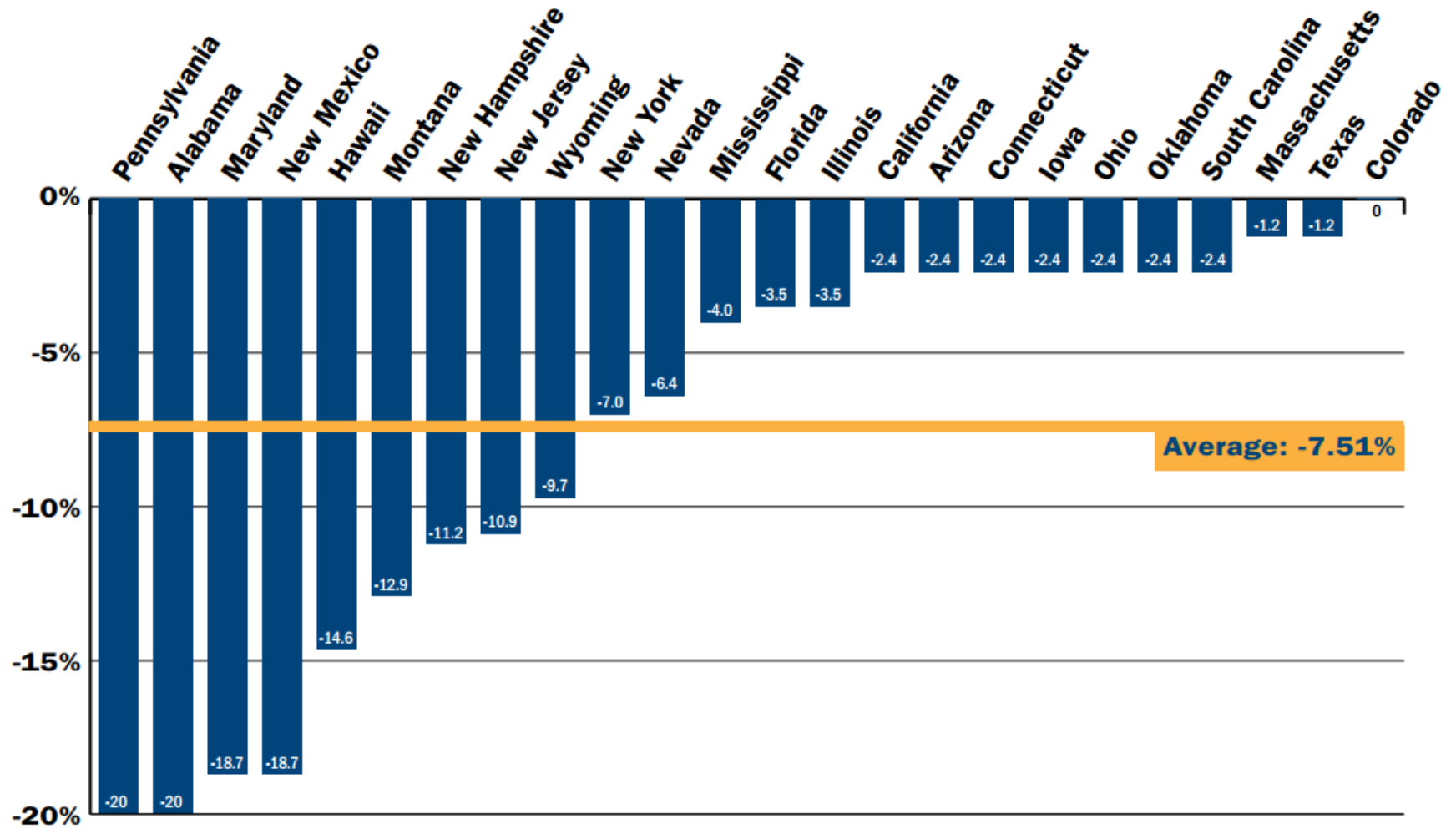
Over the past year, has your government made any changes to the health benefits you offer to your employees and retirees? ($n = 296$)



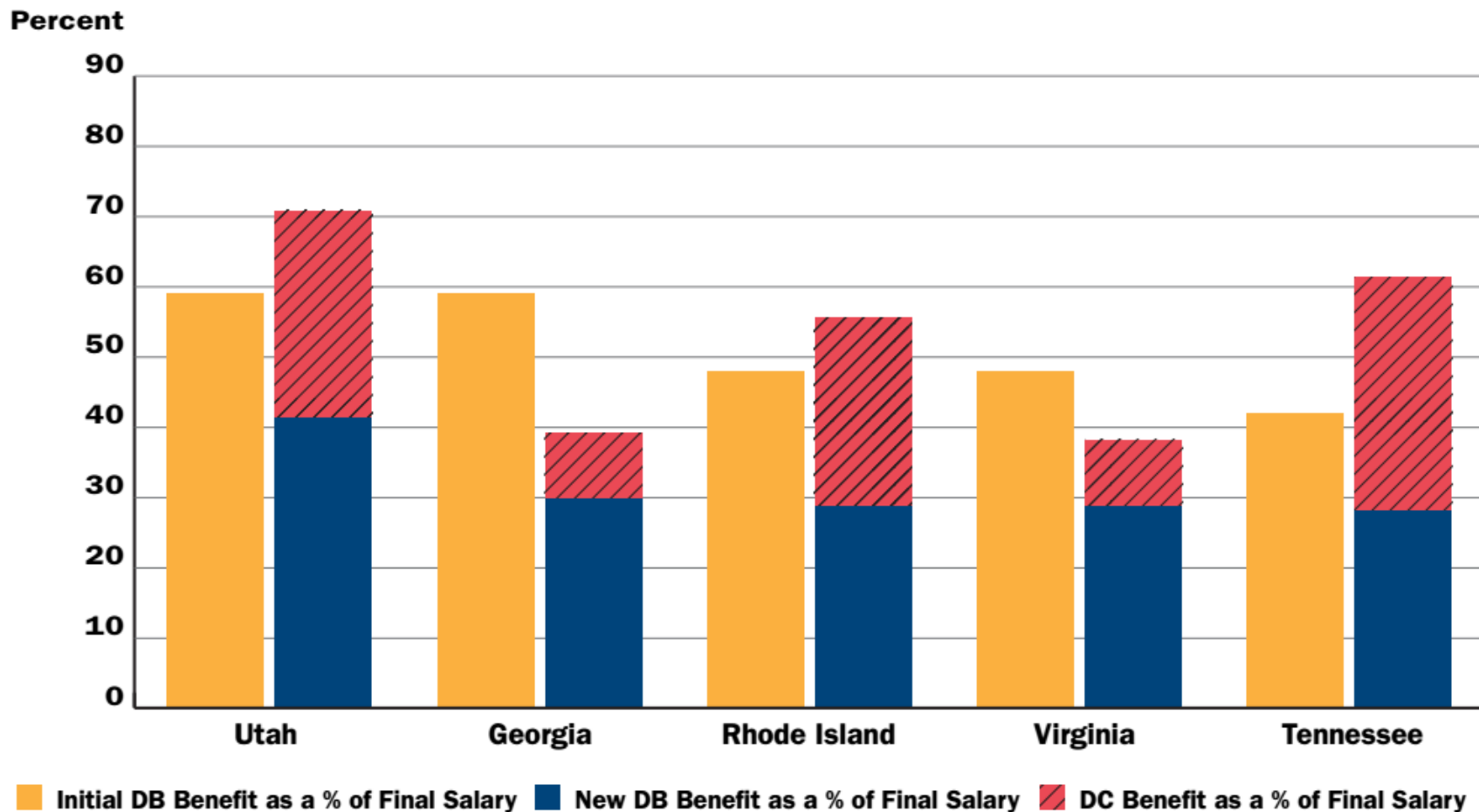
Pension benefit reforms since 2008



Percent Change in Annual Benefit

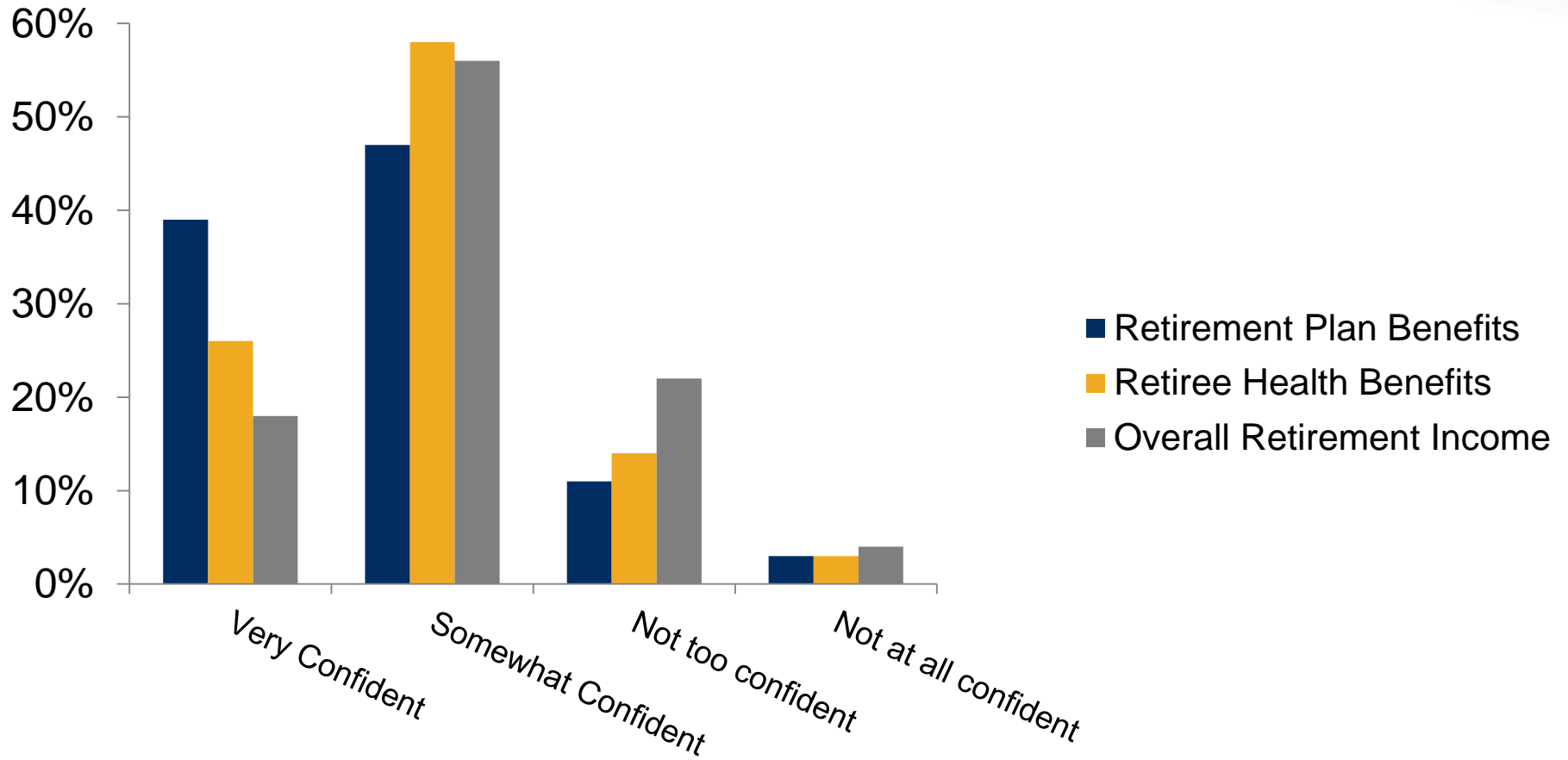


Initial Defined Benefit Plan and Hybrid Plan, as a Percentage of Final Salary, by Element




Initial benefit levels do not account for cost-of-living adjustments. Defined contribution balances calculated using a 6.5% return assumption and a balance annuitized for 25 years.

The retirement environment and retirement confidence...



DB plans, primary & supplemental DC plans, and overall compensation considerations in 2014 and beyond...

- Reduced primary benefits = increased role of **supplemental savings** + working longer
- Finding an equilibrium between public employer wage and benefit costs
- Increased focus on auto-features by public employers
- Changing benefit structures should aim to match employees with suitable savings levels and **investment options**, while also limiting pre-retirement withdrawals

The background of the slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in shades of blue, white, and red.

Joshua Franzel, PhD
Vice President, Research
Center for State and Local Government Excellence
Washington, DC

jfranzel@slge.org