Trends in Public Pension Plans

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Trends

Benefit/Financing Legislation

Employee and Employer Contributions

Assumptions
States Enacting Pension Modifications 2007-2018
State Pension Reforms Affecting Broad Groups of Current Active Participants

37 states
States Increasing Employee Contribution Rates, 2009-2018

38 states
States Reducing Pension Benefits, 2009-2018

40 states
States Making Changes to Cost-of-Living Adjustments, 2009-2018

30 states
States Adding Shared-Risk Plan Design Elements, 2009-2018

*24 states*
States Creating New Hybrid Plans, 2009-2018

10 states
Statewide Hybrid Plans and Relative Participation Rates

NASRA Issue Brief, State Hybrid Retirement Plans
For general employees and teachers; does not include public safety personnel.
Median and Weighted Avg. ARC/ADC Received by 112 Plans, FY 01 to FY 17
Distribution of ADC Received by 111 Plans, FY 17

Median = 100%

Weighted Avg = 94.0%
Median and Weighted Average of ARC/ADC Paid by State, FY 01 to FY 17

State Median = 98.5%

Weighted Average = 86.4%
Employer (taxpayer) Spending on State and Local Public Pensions, 1988-2017

*projected
Change in Aggregate Public Pension Funding Level, FY 01 to FY 18
Median Change From Prior Year in Actuarial Value of Assets and Liabilities
Public Pension Fund Sources of Revenue, 1989 to 2018

- Investment Earnings: 63% ($5.06 trillion)
  - Employer Contributions: 26% ($2.10 trillion)
  - Employee Contributions: 11% ($933 billion)

US Census Bureau
The breakeven rate implies what market participants expect inflation to be in the next 10 years, on average.
Investment Return Assumptions, FY 01 to Latest

Average 7.26%
Median 7.25%

NASRA Jun-19
Actuarial Assumptions: Inflation, Nominal, and Real

- Avg Nominal Investment Return Assumption: 8.05% to 7.28%
- Avg Assumed Real Rate of Return: 4.21% to 4.57%
- Avg Inflation Assumption: 3.84% to 2.71%

Fiscal Year: 2002 to 2018

Public Plans Data
Median Public Pension Investment Returns for Periods Ended 6/30/18 and 12/31/18
Median Investment Returns for Periods Ended 6/30/19

- 1 year: 6.2%
- 3 years: 8.9%
- 5 years: 6.0%
- 10 years: 9.2%
- 20 years: 8.0%
- 25 years: 8.3%
- 30 years: Median Assumption = 7.25%

Callan
Median Annual Change in Payrolls  FY 02 to FY 18

Old Normal

New Normal?

Public Fund Survey
Jul-19