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NCPERS 2014 Survey: Public Pension Plans Report Solid Returns, Financial Strength, Increasing Confidence

Plans Continue to Adopt Changes to Ensure Long-Term Sustainability

Washington, DC – Confidence continues to rise among public pension plan administrators about the sustainability of their funds and their readiness to address future retirement issues, according to a new survey by the National Conference on Public Employee Retirement Systems ([NCPERS](#)).

The [2014 NCPERS Public Retirement Systems Study](#) also shows continuing financial strength for public funds, with healthy long-term investment returns.

“Once again, our annual survey provides convincing evidence that the vast majority of public pension plans are financially sound, well-funded and sustainable for the long term,” said [NCPERS Executive Director and Counsel Hank Kim, Esq.](#) “It also demonstrates that defined benefit public pension plans are the least costly way to ensure retirement security for American workers.”

Partnering with [Cobalt Community Research](#), NCPERS surveyed 187 state, local and provincial government pension funds with more than 11.8 million active and retired members and with assets exceeding \$1.8 trillion. The majority – 81 percent – were local pension funds, while 19 percent were state pension funds. Of the responding funds, 61 percent are members of NCPERS. The data, collected in September and October 2014, represents the most up-to-date information available.

The major findings of the 2014 NCPERS Public Retirement System Study include:

- Confidence continues to grow about readiness to address future retirement trends and issues. Respondents’ overall confidence rating measured 7.9 on a 10-point scale, up from 7.8 in 2013 and 7.4 in 2011.
- Funds experienced an increase in average funded level – 71.5 percent, up from 70.5 percent in 2013. Two factors contributed to the change: average one-year investment returns of 15 percent and lower amortization periods.
- Funds continue to experience healthy investment returns: 14.5 percent for one-year investments (compared to 8.8 percent in 2013); 10.3 percent for three-year investments (up from 10.0 percent

last year); 9.8 percent for five-year investments (up from 2.7 percent last year); 7.8 percent for 10-year investments (up from 7.0 percent), and 8.1 percent for 20-year investments (virtually unchanged from last year's 8.2 percent). Funds continue to work toward offsetting sharp losses from the Great Recession in 2008 and 2009 by strengthening investment discipline. Signs point to long-term improvement in public retirement systems' funded status.

- Public funds continue to be the most cost effective mechanism for retirement saving. The total average cost of administering funds and paying investment managers was 61 basis points. According to the Investment Company Institute's *2014 Investment Company Fact Book*, the expenses of most equity funds average 74 basis points and hybrid funds average 80 basis points. "Because they have lower expenses, public retirement funds provide a higher level of benefits to members," Kim said. "They also produce a higher positive economic impact for the communities those members live in than mutual funds and defined contribution plans like 401(k)s."

- Funds continue to tighten benefits, assumptions and governance practices. Examples include a continued trend toward increasing member contribution rates, lowering inflation assumptions, shortening amortization periods, holding actuarial assumed rates of return and lowering the number of retirees receiving health care benefits.
- Income used to fund public pension programs came from member contributions (8 percent); employer (government) contributions (19 percent) and investment returns (73 percent).

"There is no question that public pension funds are continuing their strong recovery from the historic market downturn of 2008-2009," Kim said. "The survey shows public pensions are strong and getting stronger, managing their assets efficiently and effectively, making plan design changes to ensure sustainability and are expressing strong and growing confidence about their readiness to address the challenges ahead."

"The vast majority of public pension plans are thriving, more than adequately funded, inexpensive to operate and sustainable for the long-term. Policymakers, taxpayers and public employees can have confidence that public pension plans will be providing retirement security for covered workers – and thus making positive economic contributions to the communities they live in – well into the future."

About NCPERS

The National Conference on Public Employee Retirement Systems (NCPERS) is the largest trade association for public sector pension funds, representing more than 550 funds throughout the United States and Canada. It is a unique non-profit network of public trustees, administrators, public officials and investment professionals who collectively manage nearly \$3 trillion in pension assets. Founded in 1941, NCPERS is the principal trade association working to promote and protect pensions by focusing on advocacy, research and education for the benefit of public sector pension stakeholders.

About Cobalt Community Research

Cobalt Community Research is a nonprofit research coalition created to help governments, schools and other nonprofit organizations measure, benchmark and manage their efforts through high quality and affordable surveys, focus groups and facilitated meetings. Cobalt is headquartered in Lansing, MI.