Center for State and Local Government Excellence

Promote excellence in local and state governments so they can attract and retain talented public servants.
Center for State and Local Government Excellence

- Workforce demographics and development
- Public sector retirement benefits
- Health and wellness benefits
About the NLC Public Sector Retirement Initiative

- NLC’s Public Sector Retirement Initiative is a resource for elected officials to help them navigate the complexities of retirement and healthcare planning and funding for the municipal workforce. The Initiative is sponsored by ICMA-RC.

Please visit www.nlc.org/retirement for more information.
2017 – Local Government Employee Access to Retirement and Retiree Health Benefits

• 84% of workers had access to a defined benefit plan and 33% had access to a defined contribution plan.

• 27% had access to a combo of DB and DC; 57% just had access to a DB, and 5% had access to solely a DC.

• 62% of retirees under 65 had access to health care and 56% 65+ had access.

Source: https://www.bls.gov/ncs/ebs/benefits/2017/ownership_tab.htm#tabs-3
Pension Funding Ratios

Source: http://publicplansdata.org/quick-facts/national/
Required Contributions

Employer’s Annual Required Contribution as a Percent of Payroll and Own-Source Revenue, 2001-2017

Source: http://publicplansdata.org/quick-facts/national/
Percentage of Required Contributions Paid

Source: http://publicplansdata.org/quick-facts/national/
Changes in Retirement and Health Benefits, Compared to the Prior Year

Retirement Changes

- Decreased employer contributions to DC plans
- Increased age and service requirements
- Reduced/eliminated cost of living adjustments
- Increased employer contributions
- Replaced a defined benefits plan with a hybrid plan
- Decreased pension benefits
- Increased employee contribution
- Other

Do you feel the compensation you offer is competitive with the labor market?

**Wages:**
- 36% Yes
- 61% No
- 3% Don't know/No response

**Benefits:**
- 92% Yes
- 7% No
- 1% Don't know/No response

Retirement Plans: Percentage Eligible

BLS: National Compensation Survey
Are your employees financially prepared for retirement?

Yes: 42%
No: 25%
Don't know/No response: 33%

Chart 1. Participation rate to the SRP in the first year of employment

Health Benefits: Percentage Eligible

- **Medical care**: 87% (Local Government), 67% (Private Industry)
- **Outpatient prescription drug coverage**: 85% (Local Government), 66% (Private Industry)
- **Dental care**: 56% (Local Government), 42% (Private Industry)
- **Vision care**: 35% (Local Government), 23% (Private Industry)

BLS: National Compensation Survey
Medical care:
Share of Premiums Paid by Employer

<table>
<thead>
<tr>
<th>Coverage Type</th>
<th>Local Government</th>
<th>Private Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single coverage</td>
<td>87%</td>
<td>79%</td>
</tr>
<tr>
<td>Family coverage</td>
<td>70%</td>
<td>67%</td>
</tr>
</tbody>
</table>

BLS: National Compensation Survey
Retirement and Health Benefits vs. Salaries

SHARE OF TOTAL COMPENSATION

Source: State and Local Government Wages and Salaries, Health, and Defined Benefits for All Occupations; Cost per hour worked

Impact of Cuts?

2.9 %

Private sector wage of new hires (prior to being hired by state/local government)

Authors of brief: L. Quinby, G. Sanzenbacher, and J. Aubry (BC-CRR)
Retiree Health Care, by Benefit Type in FY15

Source: SLGE / NASRA “Spotlight on Retiree Health Care Benefits for State (and Local) Employees” research series
**OPEB**

Unfunded Actuarial Accrued Liabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Liabilities in Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10-12</td>
<td>$495</td>
</tr>
<tr>
<td>FY13</td>
<td>$498</td>
</tr>
<tr>
<td>FY15</td>
<td>$585</td>
</tr>
<tr>
<td>FY17 {preliminary data}</td>
<td>$628</td>
</tr>
</tbody>
</table>

Source: SLGE / NASRA “Spotlight on Retiree Health Care Benefits for State (and Local) Employees” research series. FY17 preliminary data from A.Brown, NASRA
OPEB Assets – FY15

- $41 billion in assets in FY15
- $51 billion in FY17 (preliminary data)

Source: SLGE / NASRA “Spotlight on Retiree Health Care Benefits for State Employees in FY 2015”
• FY15 OPEB spending was 1.4% of total state expenditures; it would be 3.4% with hypothetical full ADC funding. FY17 2.4% actual, and 4.3% at full ADC {preliminary data}.

• In FY15 and FY17 - Ten states accounted for over 75% of the aggregate state OPEB UAAL.

• Approximately 7% of OPEB liabilities are funded.

• As of FY15 approximately 32 states had a formal OPEB Funding Policy.

Source: SLGE / NASRA “Spotlight on Retiree Health Care Benefits for State (and Local) Employees” research series. FY17 preliminary data from A.Brown, NASRA
State of the Cities

• The State of the City speech is a reflection of the mayor’s priorities as well as the city’s accomplishments, challenges and roadmap for the future

• NLC has been studying these speeches for 5 years
  – This year we studied 160 speeches
  – The report presents major topics (e.g., economic development, infrastructure) and subtopics (e.g., jobs, public transit) manually coded by NLC
  – Intergovernmental relations, and those pertaining to pensions in particular, were top of mind

Source: www.nlc.org/sotc
Tensions with the State

- In our sample, 18 of 160 mayors (11 percent) focused their address on pensions
  - Mayors discussed distrust in state pension system
    - Louisville, Kentucky; Providence, Rhode Island; Pasadena, California; Peoria, Illinois

Source: https://www.nlc.org/2018-state-of-the-cities-map
Solutions

• Some cities are figuring out ways to offset health insurance and pension costs
  – Binghamton, New York (small sized city)
    • Savings fund
  – La Mesa, California (small-medium sized city)
    • Section 115 retirement trust fund

• Other cities are offering matching contributions
  – Alpena, Michigan
    • Increased contributions to employees’ deferred compensation plan by 1%, coupled with required contributions by the employee
Change in Sentiment 2017-2018

• More negativity in 2018; more solutions proposed in 2017
  – Cities cut deals with unions for more affordable pension payments
    • Hartford, Connecticut
    • Salem, Massachusetts
    • Huntington, West Virginia (reduced health insurance premiums to retirees)
  – Leave choice to voters
    • Upper Arlington, Ohio
  – Revised rate of return
    • Houston – revised to 7%
publicplansdata.org (PPD)

• Partners:
  – Center for State and Local Government Excellence: slge.org
  – Center for Retirement Research at Boston College: crr.bc.edu
  – National Association of State Retirement Administrators: nasra.org

• Plans and Variables:
  – Plan-level data for 180 state and local pension plans
  – Over 100 variables (funding, assumptions, asset allocations, investment returns, plan provisions, membership, etc.)
  – Annual data since 2001
  – Account for 95 percent of state/local pension assets and members in the US
Questions?

E-mail: jfranzel@slge.org
gyoung@slge.org
yadavalli@nlc.org

Twitter: @4GovtExcellence