



**ICMA**  
conference

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# The State of Local Retirement and Health Benefits

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**#ICMA2018**





## **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

The background of the slide is a stylized, semi-transparent image of the United States flag, showing the stars and stripes in shades of blue and white.

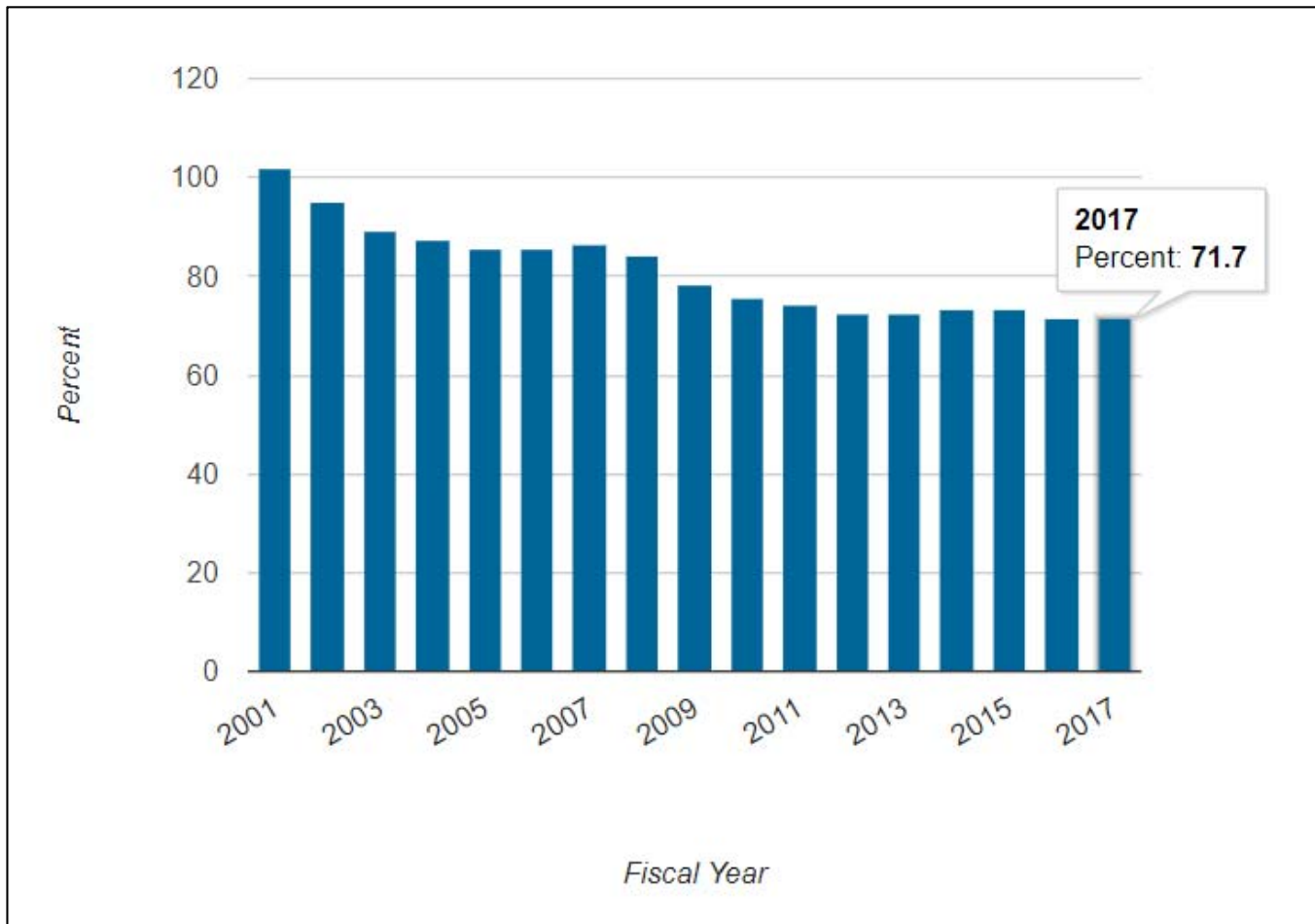
## About the NLC Public Sector Retirement Initiative

- 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.

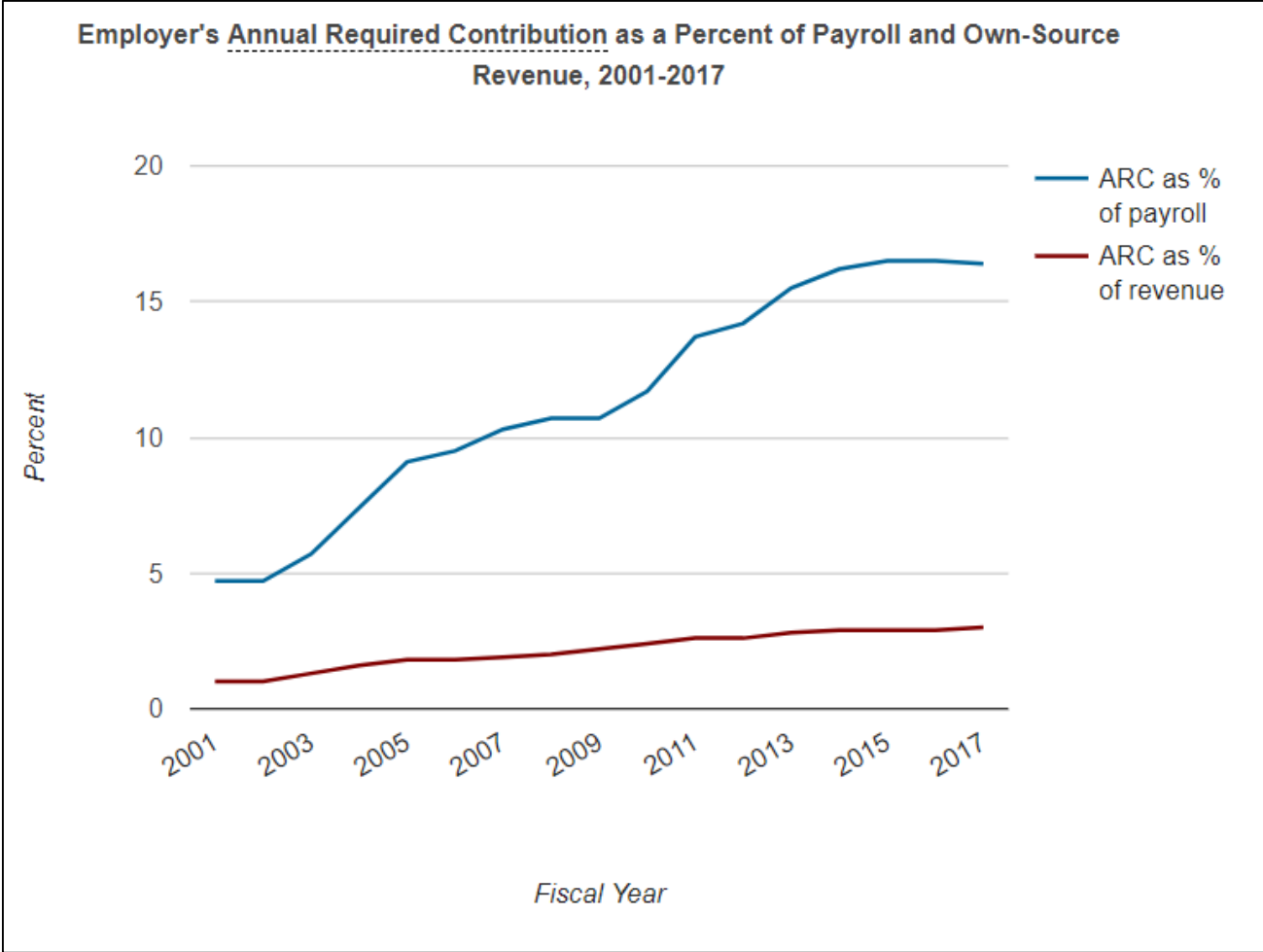
## **2017 – Local Government Employee Access to Retirement and Retiree Health Benefits**

- 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.

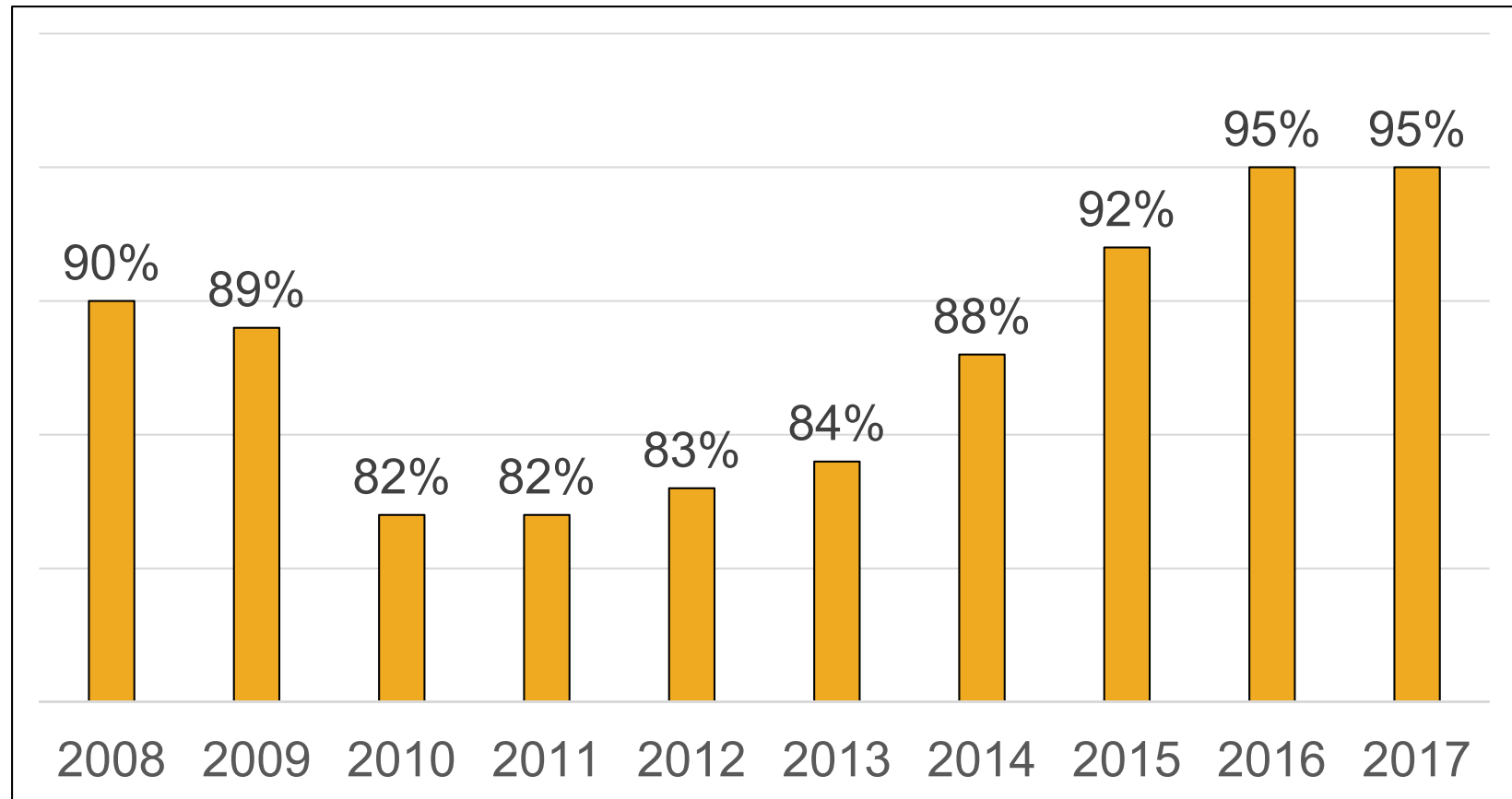
# Pension Funding Ratios



# Required Contributions

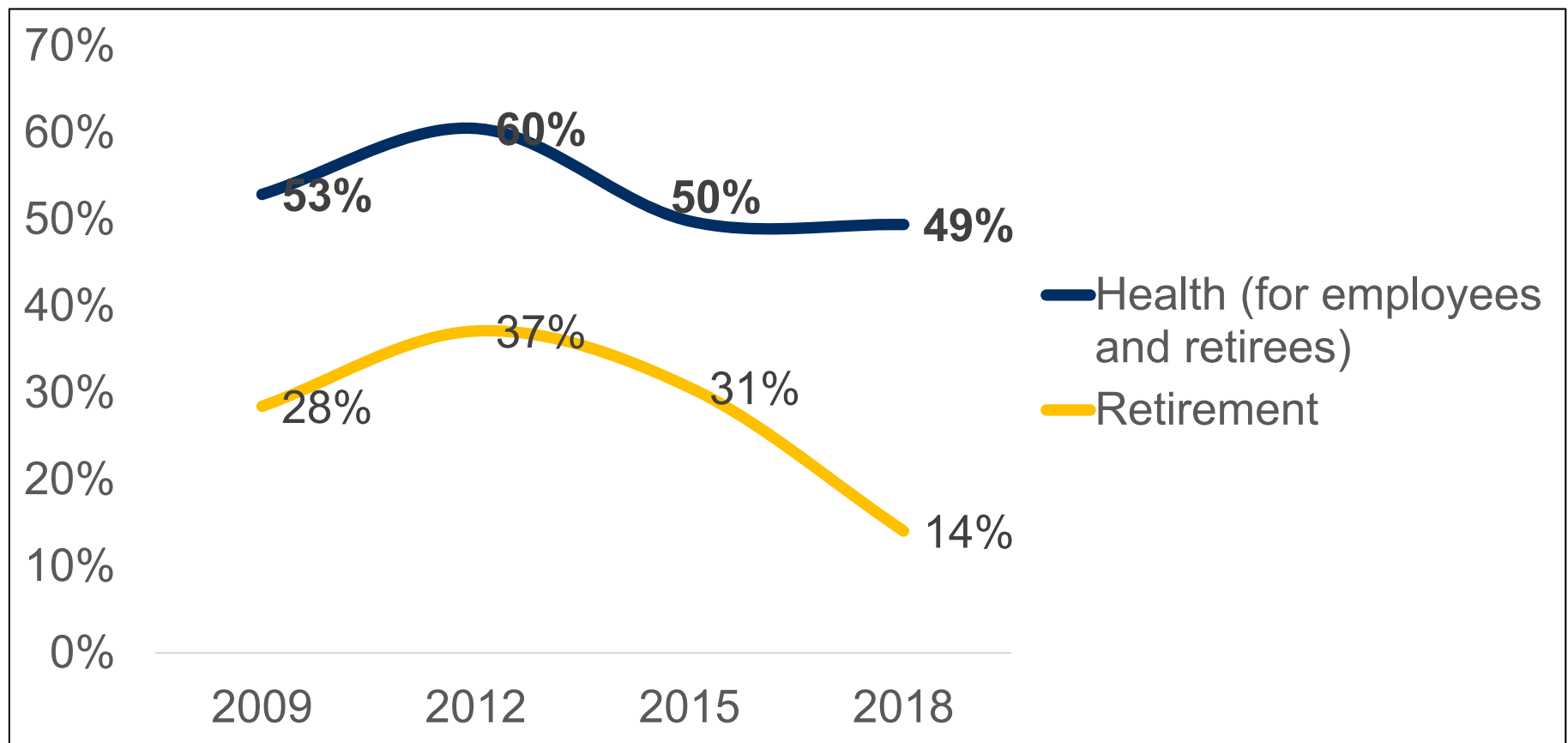


## Percentage of Required Contributions Paid

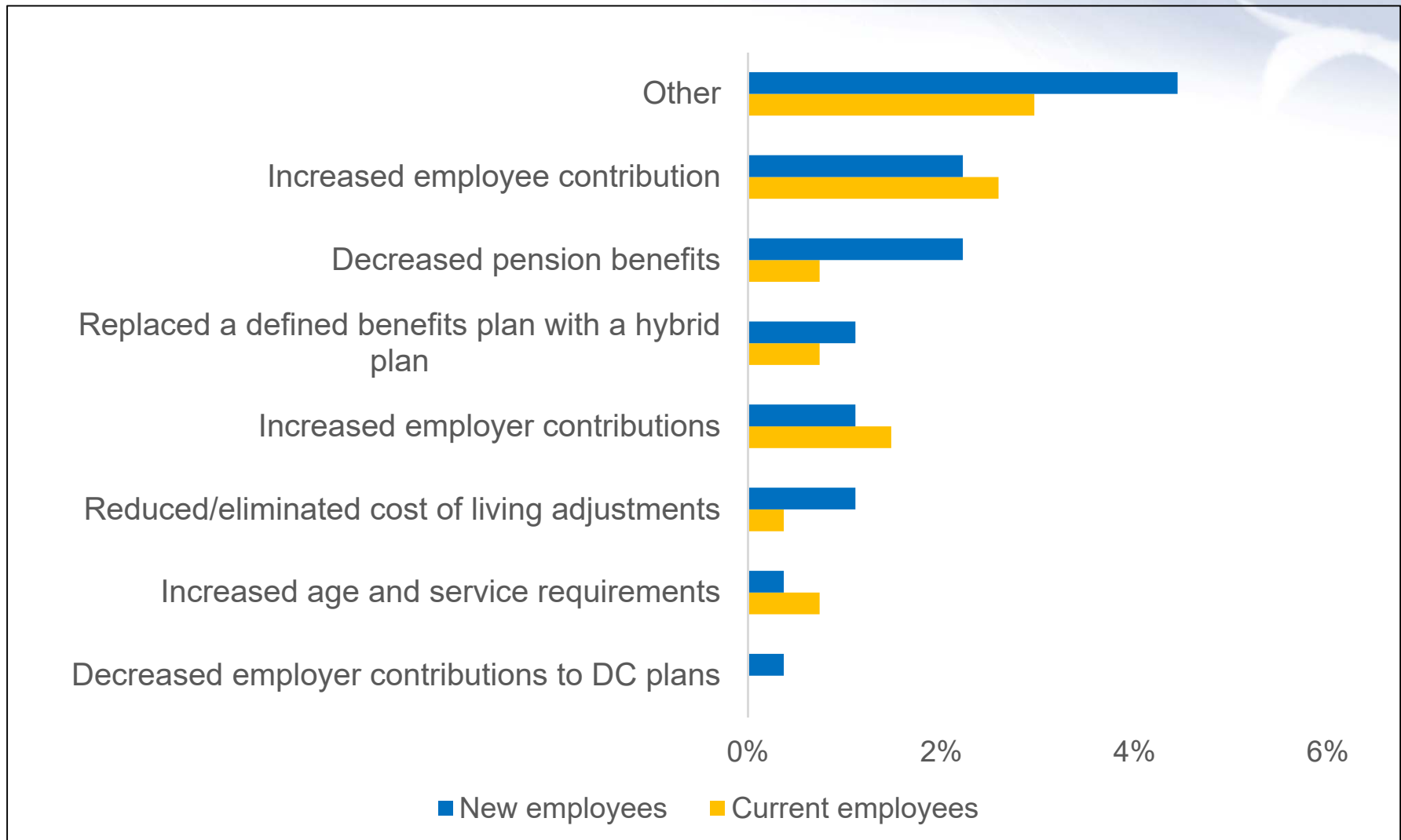




# Changes in Retirement and Health Benefits, Compared to the Prior Year

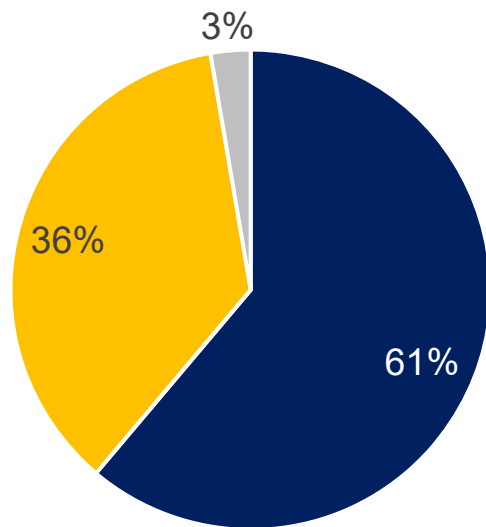


# Retirement Changes

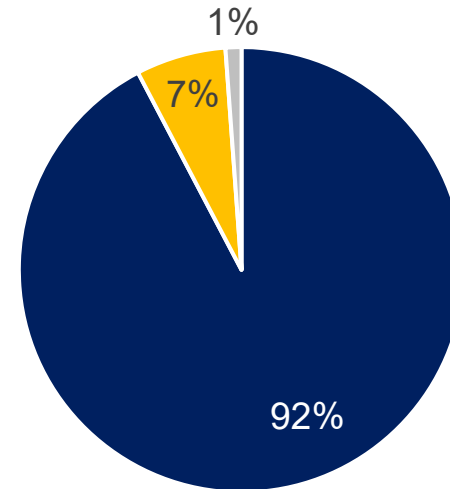


# Do you feel the compensation you offer is competitive with the labor market?

## Wages:

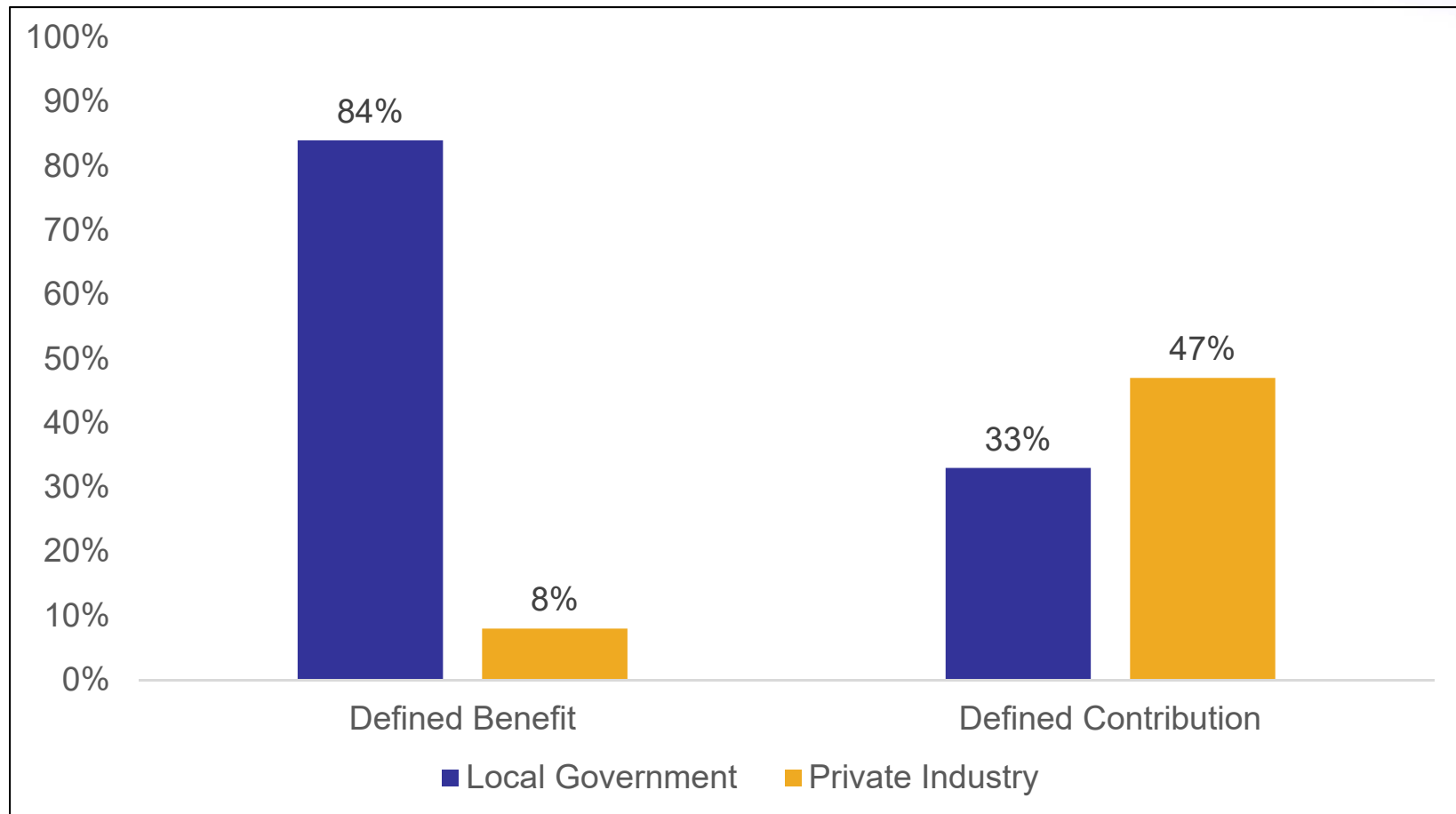


## Benefits:

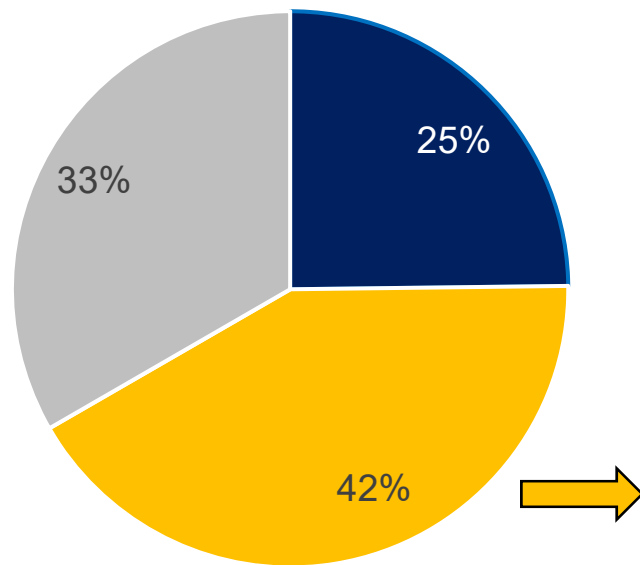


- Yes
- No
- Don't know/No response

# Retirement Plans: Percentage Eligible

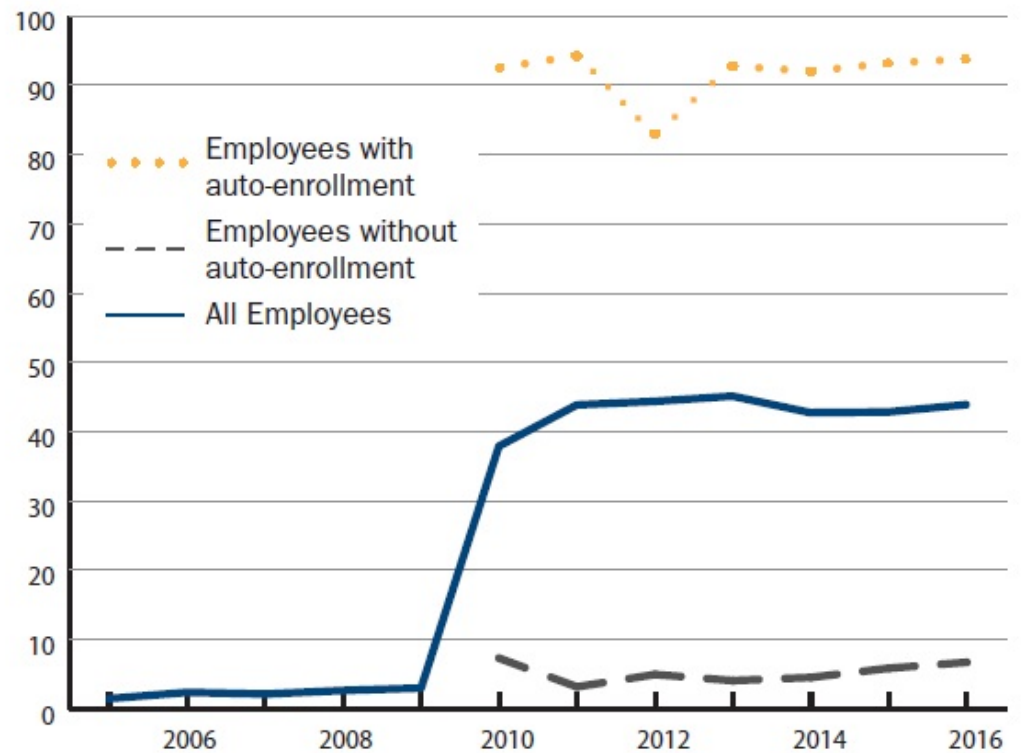


# Are your employees financially prepared for retirement?

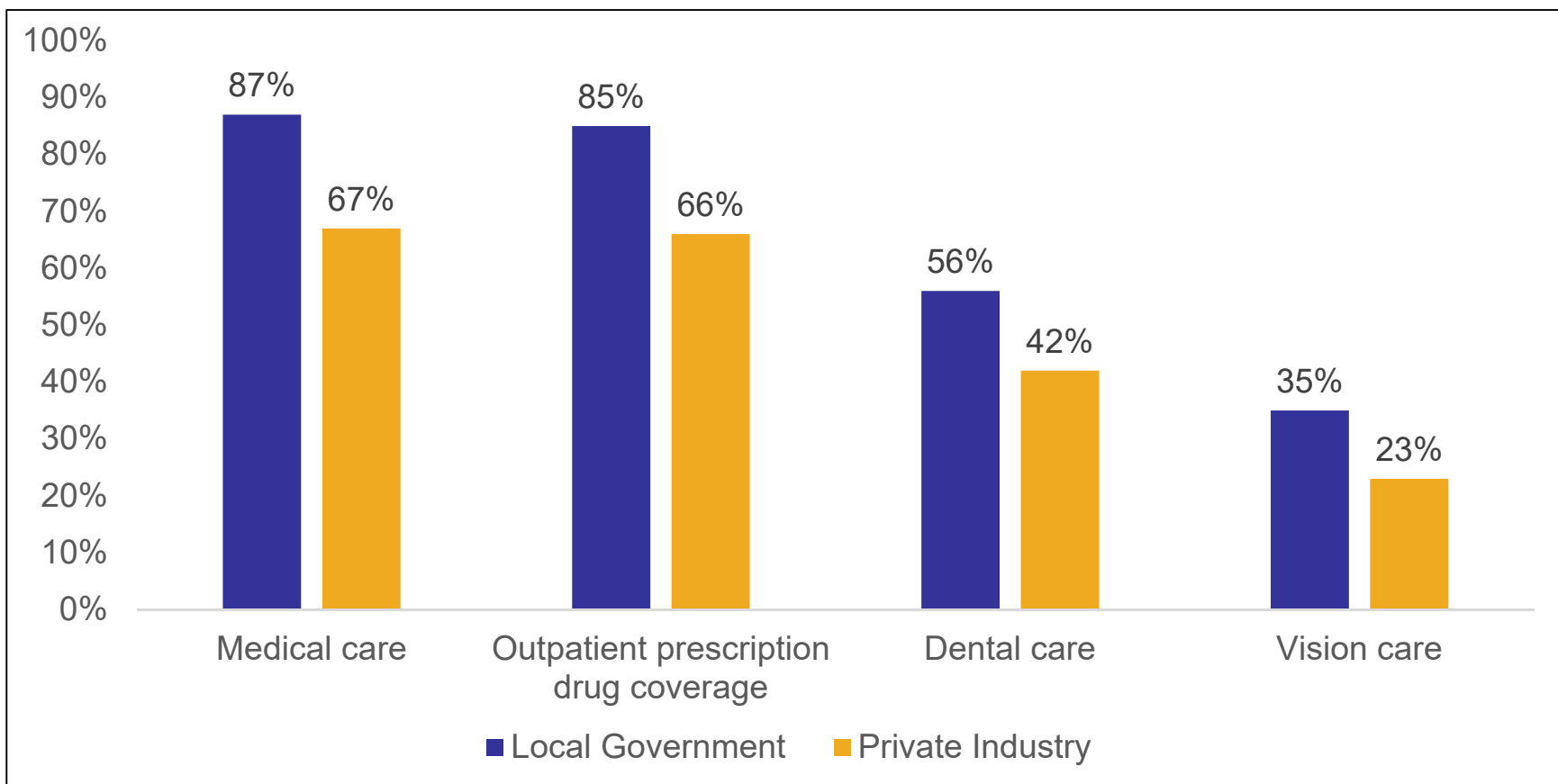


■ Yes ■ No ■ Don't know/No response

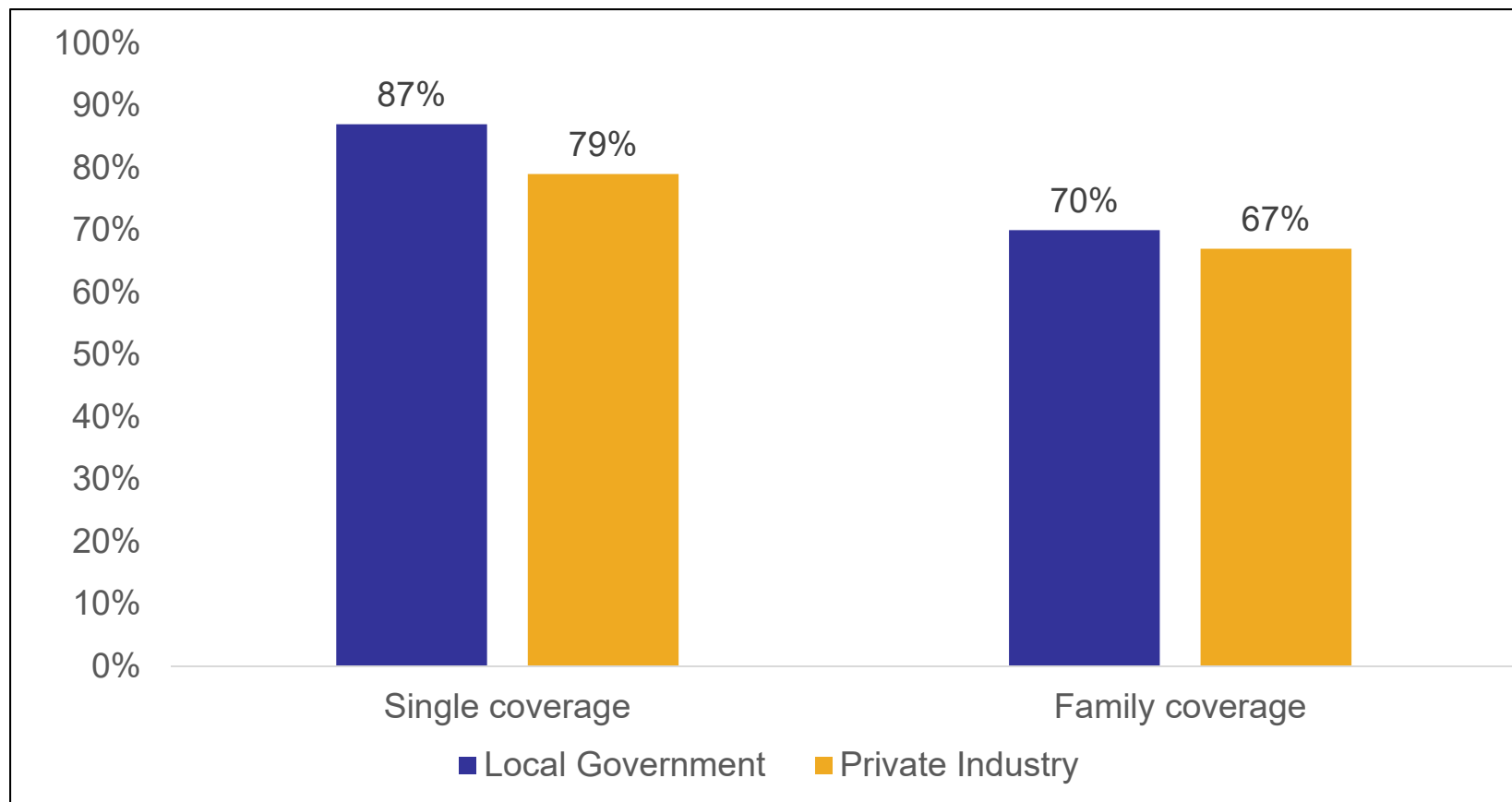
**Chart 1.** Participation rate to the SRP in the first year of employment



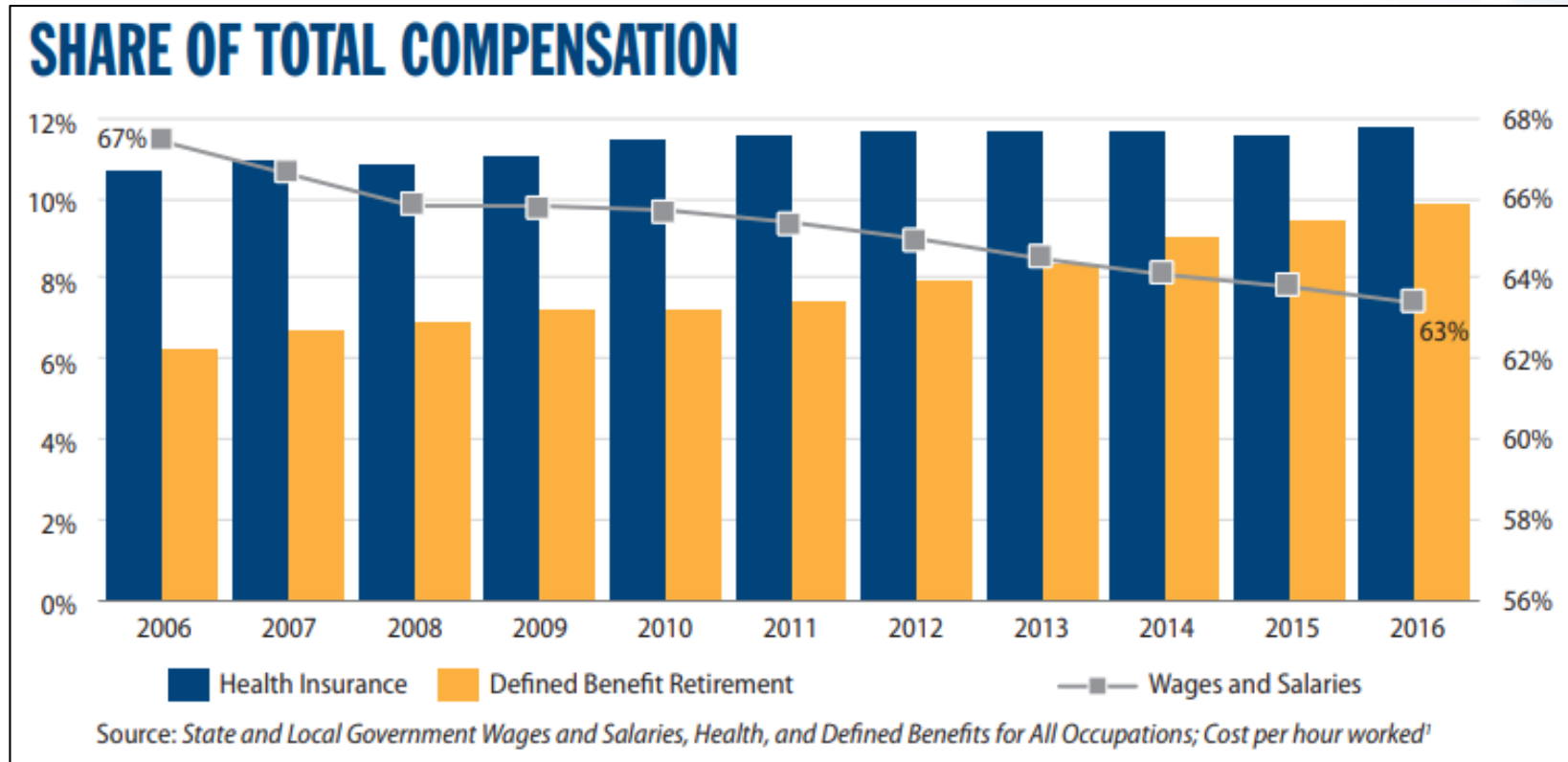
# Health Benefits: Percentage Eligible



# Medical care: Share of Premiums Paid by Employer



# Retirement and Health Benefits vs. Salaries







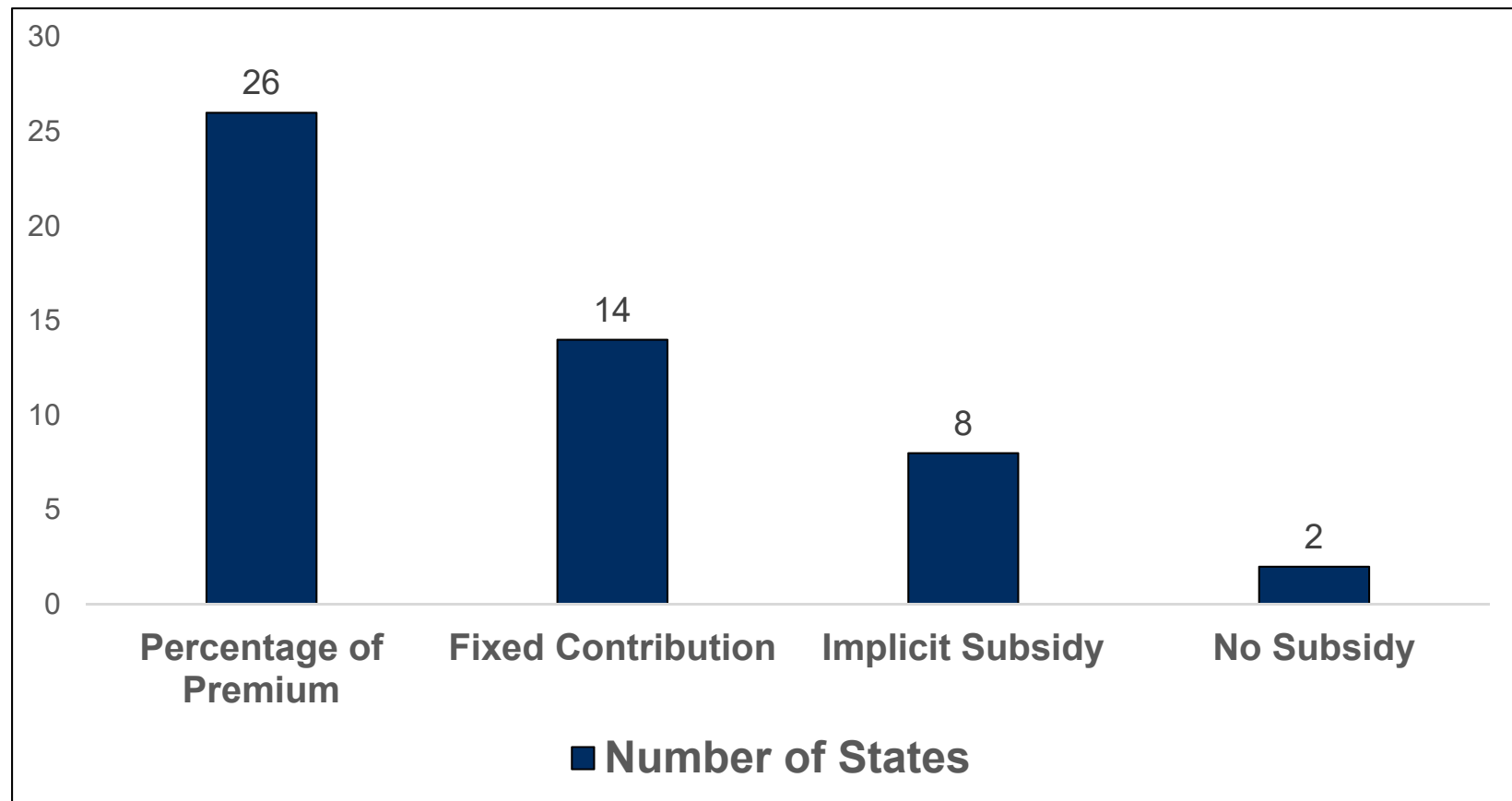
## Impact of Cuts?

↓ 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)*

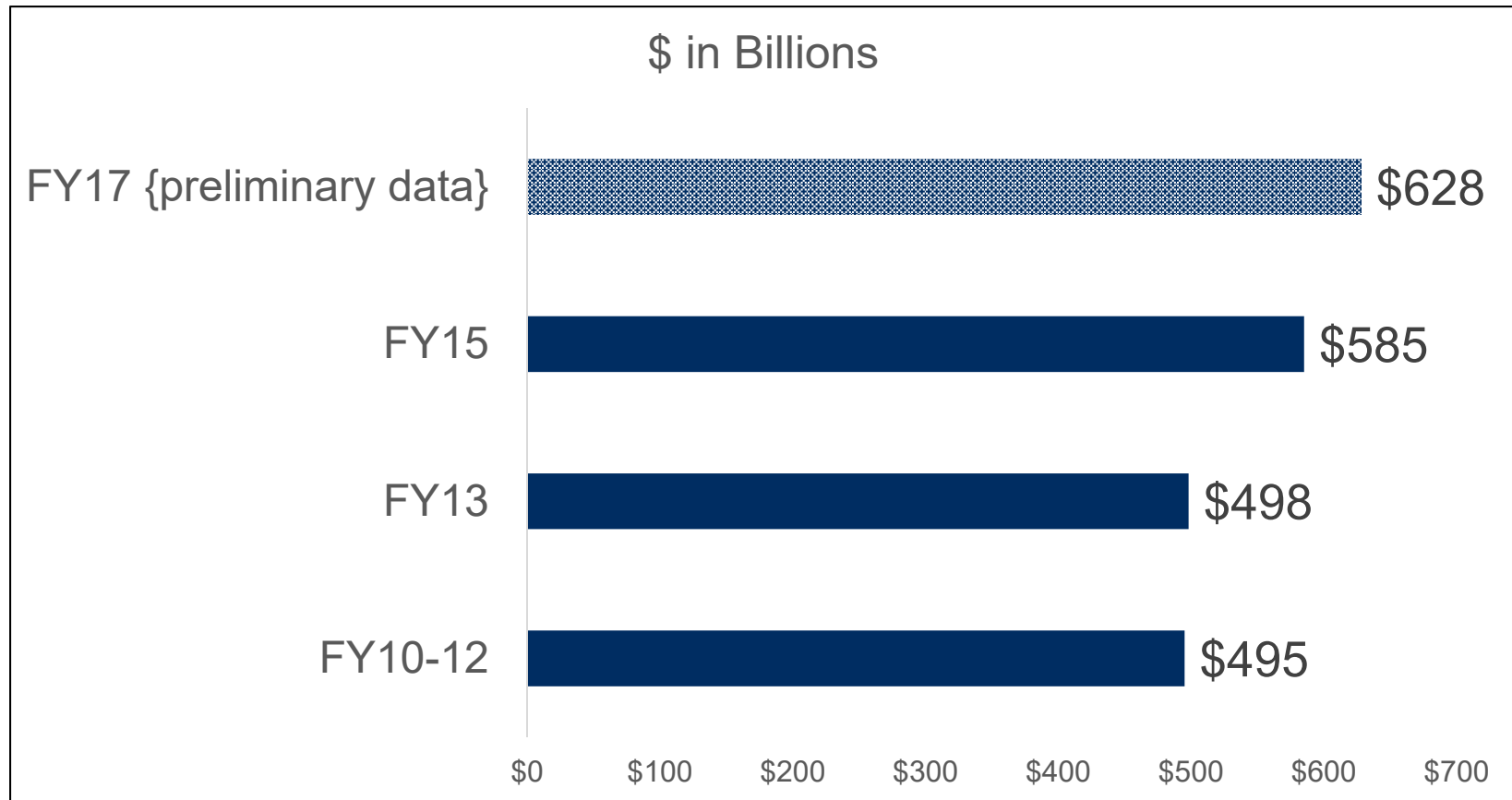
## Retiree Health Care, by Benefit Type in FY15



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

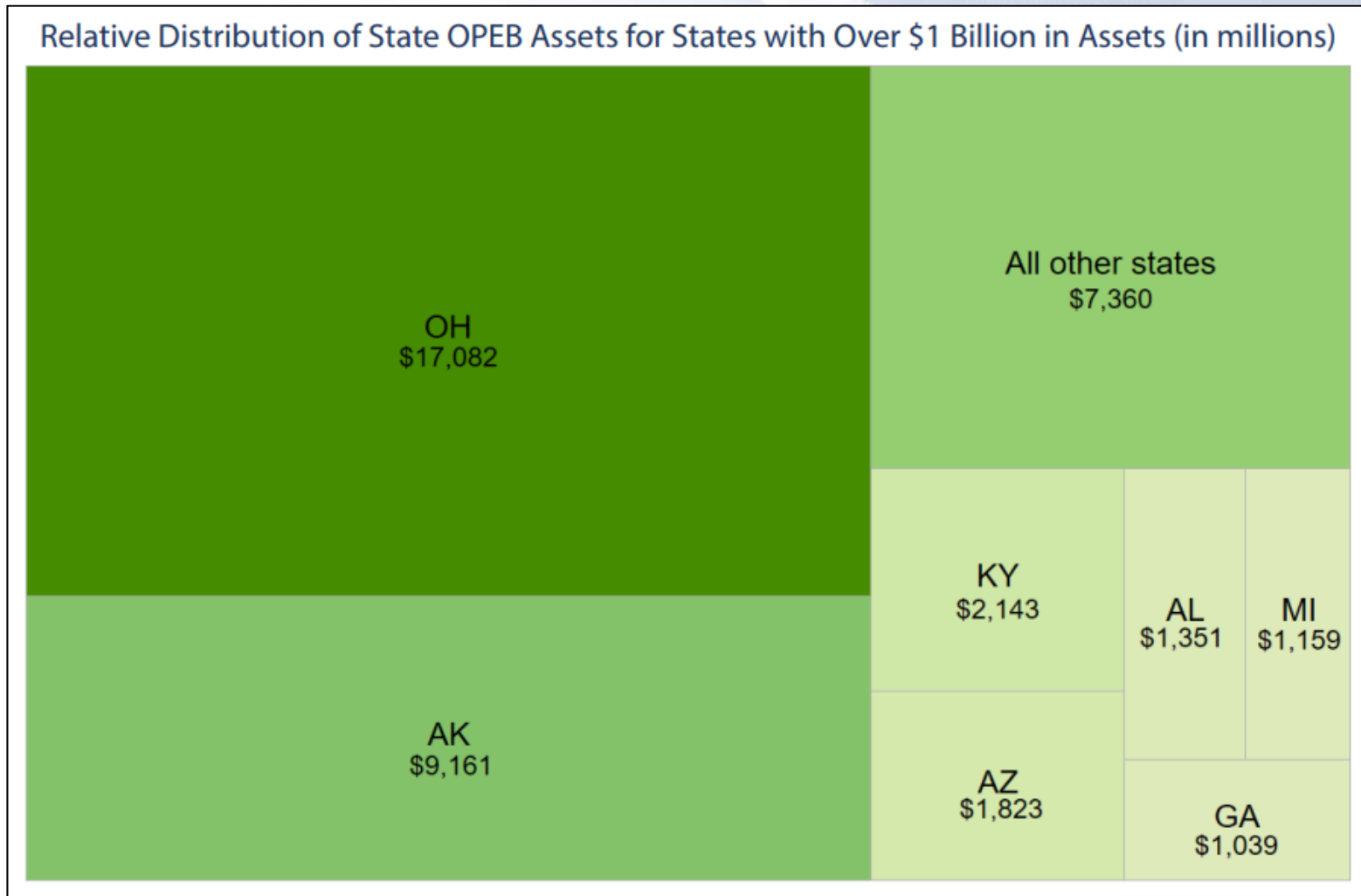
# OPEB

## Unfunded Actuarial Accrued Liabilities

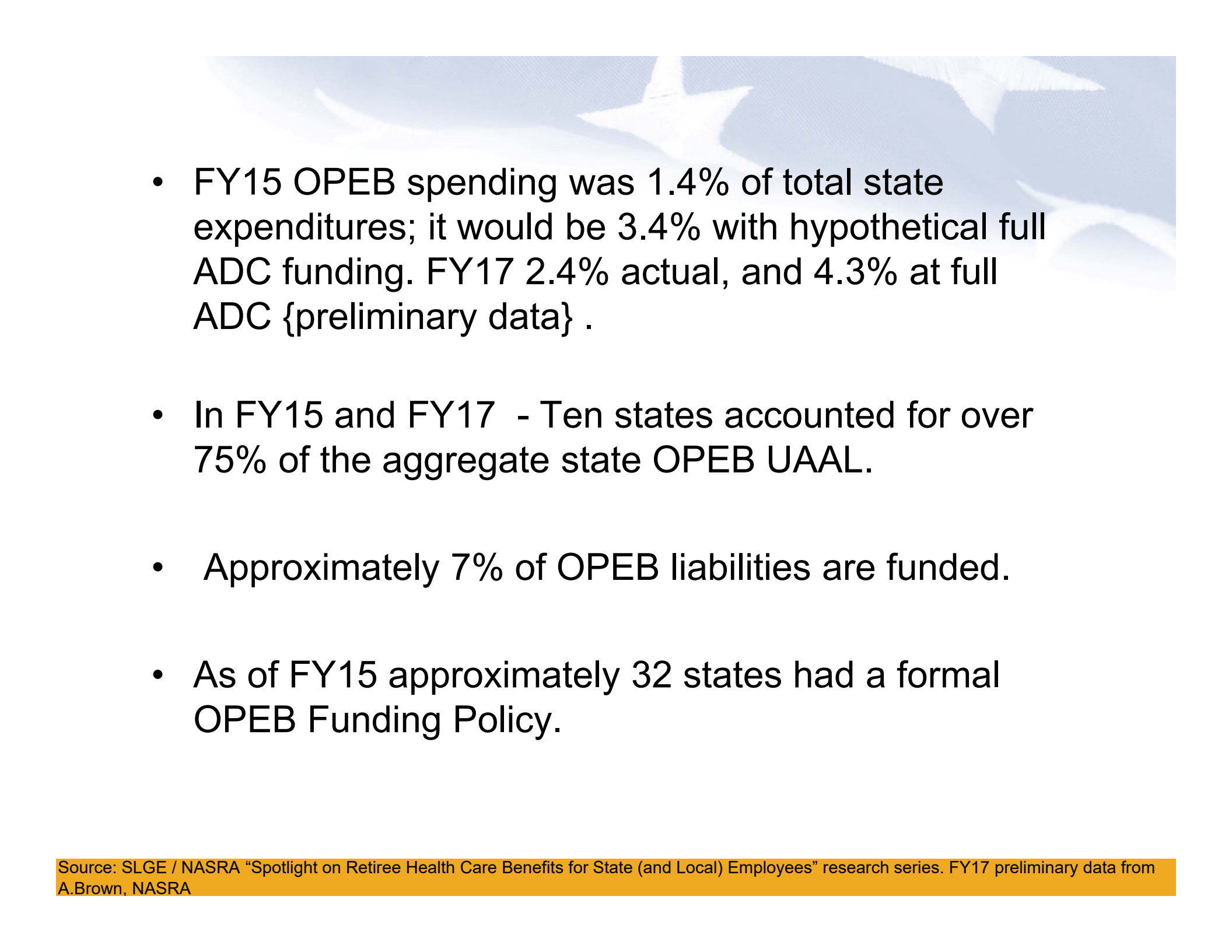


Source: SLGE / NASRA "Spotlight on Retiree Health Care Benefits for State (and Local) Employees" research series. FY17 preliminary data from A.Brown, NASRA

# OPEB Assets – FY15



- \$41 billion in assets in FY15
- \$51 billion in FY17 {preliminary data}

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- The background of the slide is a stylized, semi-transparent image of the United States flag, showing the stars and stripes in shades of blue and white.
- 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.

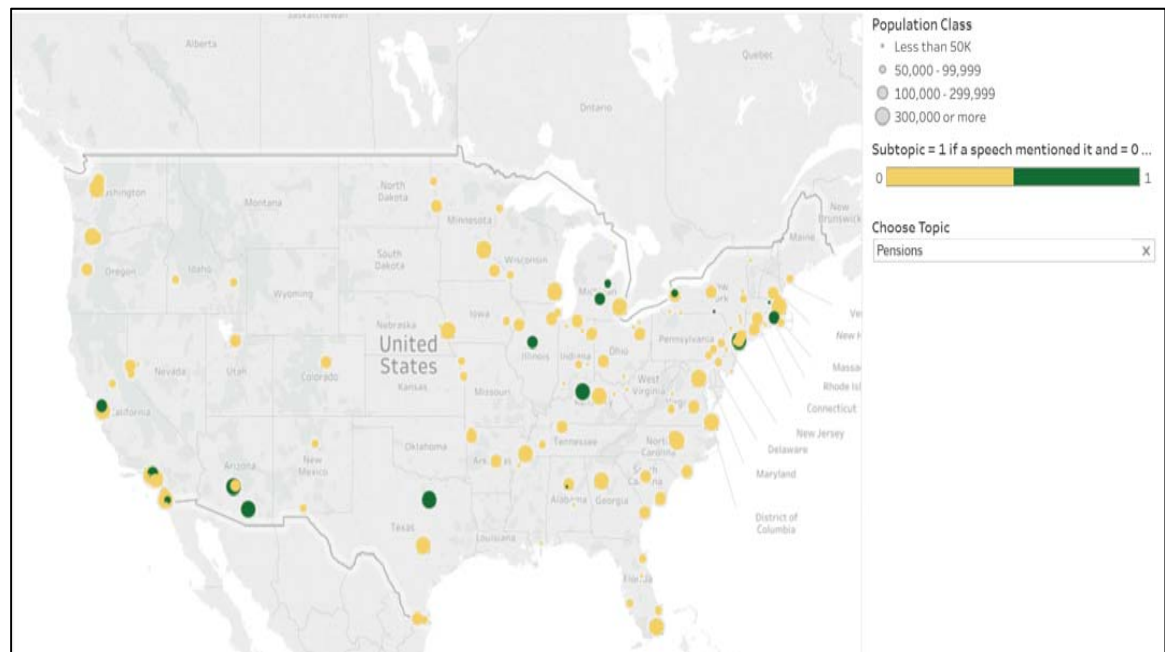


## State of the Cities

- 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

# 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



# 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](http://slge.org)
  - Center for Retirement Research at Boston College : [crr.bc.edu](http://crr.bc.edu)
  - National Association of State Retirement Administrators : [nasra.org](http://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?

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