Public Pension Plans: SLGE presentation to the SAVA Interim Committee, Montana Legislature

March 6, 2018

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The Center For State and Local Government Excellence (slge.org)

- **Mission**: *To help state and local governments become excellent employers so they can attract and retain talented public servants.*

- **Primary Research Areas**: (1) retirement plans; (2) health care benefits; (3) workforce demographics / skill set needs; (4) public labor force development.
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 170 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
STATE DATA: MONTANA

The Public Plans Database (PPD) consists of detailed financial and actuarial data for some of the largest public pension plans in the nation. However, many of these plans are governed by retirement systems that are responsible... Read more »

Major pension plans in the state

<table>
<thead>
<tr>
<th>Plan Name</th>
<th>Assets (millions)</th>
<th>Participants</th>
<th>Funded Ratio</th>
<th>Percent of ARC Paid</th>
<th>Retirement System that Administers the Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montana PERS</td>
<td>5,032.8</td>
<td>52,785</td>
<td>77.0</td>
<td>100.0</td>
<td>Montana Public Employees Retirement Board</td>
</tr>
<tr>
<td>Montana Teachers</td>
<td>3,656.8</td>
<td>35,200</td>
<td>69.3</td>
<td>100.0</td>
<td>Montana Teachers Retirement System</td>
</tr>
</tbody>
</table>

Source: Public Plans Database (as of 2016)
Distribution of Funded Ratios: State and Local Funds

Source: SLGE 2018 Infographic “State and Local Pensions – A Long-Term View” (based on PPD data)
Distribution, Percentage of Required Contribution Paid, State and Local Funds

Source: SLGE 2018 Infographic “State and Local Pensions – A Long-Term View” (based on PPD data)
Employer’s Annual Required Contribution as a Percent of Payroll and Portion Paid, 2001-2016

Source: Public Plans Data “National Data”
TOTAL COMPENSATION

2006
- Wages and Salaries: 67%
- Health Insurance: 16%
- Defined Benefit Retirement: 11%
- Other: 6%

2016
- Wages and Salaries: 63%
- Health Insurance: 15%
- Defined Benefit Retirement: 10%
- Other: 12%

Source: SLGE 2017 Infographic “State and Local Government Compensation” (based on BLS data)
<table>
<thead>
<tr>
<th>Question</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the plan been historically well financed because the government has</td>
<td>The government has been making its pension payment in full each year and/or have</td>
</tr>
<tr>
<td>been making its pension payment in full each year and/or have new</td>
<td>new financing mechanisms been put into place? Gather facts and review the</td>
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<td>pension funding policy, employee and employer contribution history, changes</td>
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<td>for new employees, and current and trend data on the funded status of plans.</td>
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<td></td>
</tr>
<tr>
<td>status of plans.</td>
<td></td>
</tr>
<tr>
<td>Is the plan design meeting the human resource, financing, and retirement</td>
<td>Examine elements such as benefit levels, vesting, and the minimum age and</td>
</tr>
<tr>
<td>security needs of stakeholders?</td>
<td>service required to receive a retirement benefit.</td>
</tr>
<tr>
<td>If there are cost concerns, are they from past liabilities or new</td>
<td>Verify whether the costs of the plan are primarily due to past unfunded</td>
</tr>
<tr>
<td>pension benefits?</td>
<td>liabilities, which cannot be erased, or to ongoing benefit accruals.</td>
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<tr>
<td>Are the plan’s assumptions in line with its experience?</td>
<td>Determine if assumptions (e.g., long-term investment returns and plan</td>
</tr>
<tr>
<td>Are benefit improvements fully funded?</td>
<td>demographics) are regularly reviewed to ensure they accurately reflect the</td>
</tr>
<tr>
<td>Are there legal and cost implications to pension modifications?</td>
<td>plan’s experience and any needed adjustments can be made in a timely way.</td>
</tr>
<tr>
<td>Are there inequities that create hidden costs and undermine public</td>
<td>Eliminate any practices that could allow a few individuals or employers to</td>
</tr>
<tr>
<td>trust?</td>
<td>undermine the funding of the system.</td>
</tr>
</tbody>
</table>
2007-2016

Average long-term investment return assumption

2007 - 2016

Sources: (1) Public Plans Data “National Data”; (2) SLGE 2017 Infographic “Public Plans Data 2016 Snapshot”
There is an increased focus on…

• The role of **supplemental savings** and automatic features.

• The role of **employer-provided financial wellness programs**.

• The **competitiveness of overall compensation packages**, given recent benefit reforms.

• Ensuring that sponsoring governments are adequately funding benefit programs.
Engaging with pension systems

- Leveraging Plain Language Reports
- Coverage of financial condition in newsletters
- Active, two-way communication
- Engagement of all stakeholders
- Openness to the use of social media and establishing formal structures (e.g. advisory committees).

Source: SLGE and NASRA 2017 ‘Public Pension Reporting and Disclosure: The Current State of Practice and Examples of What Works Well’
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