



Models for Public Pensions: A data-driven, evidence-based framework for building a successful system

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Strengthening Public Sector Retirement Systems

Overview and Takeaways

Overview

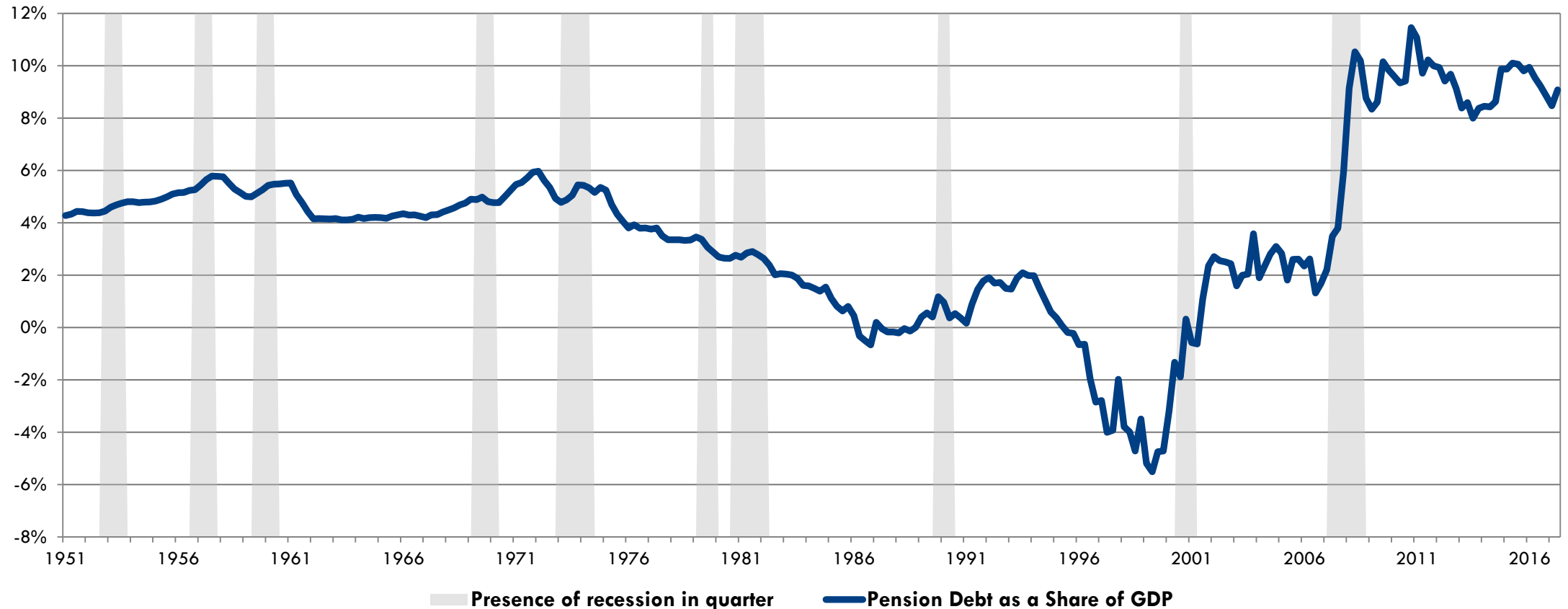
- Growing disparity in fiscal health across U.S. public pension plans.
- Best-funded states follow effective risk management policies, correlated with favorable outcomes on cost predictability and retirement security.

Takeaways

- No one-size-fits-all solutions for strengthening public retirement systems.
- Model plans provide a path to retirement security while achieving fiscal stability and preserving inter-generational equity.

State and Local Pension Debt as a Share of Gross Domestic Product

After nine years of economic recovery, aggregate pension debt remains at historically high levels

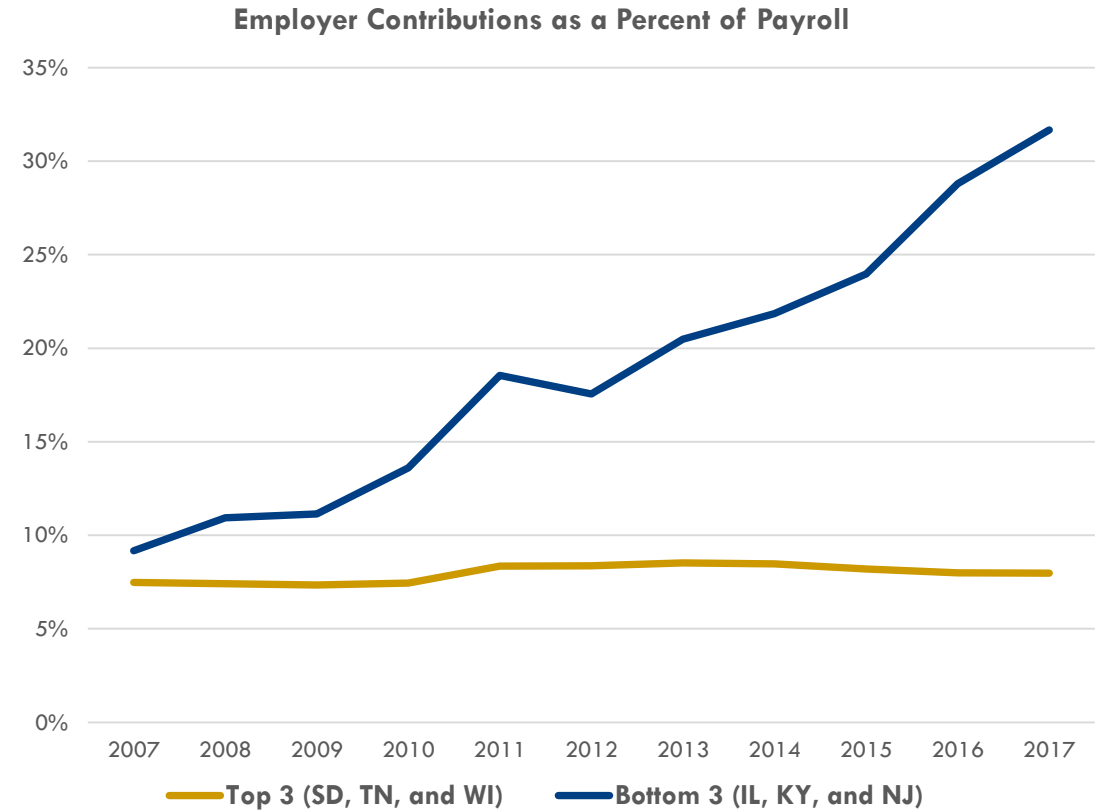
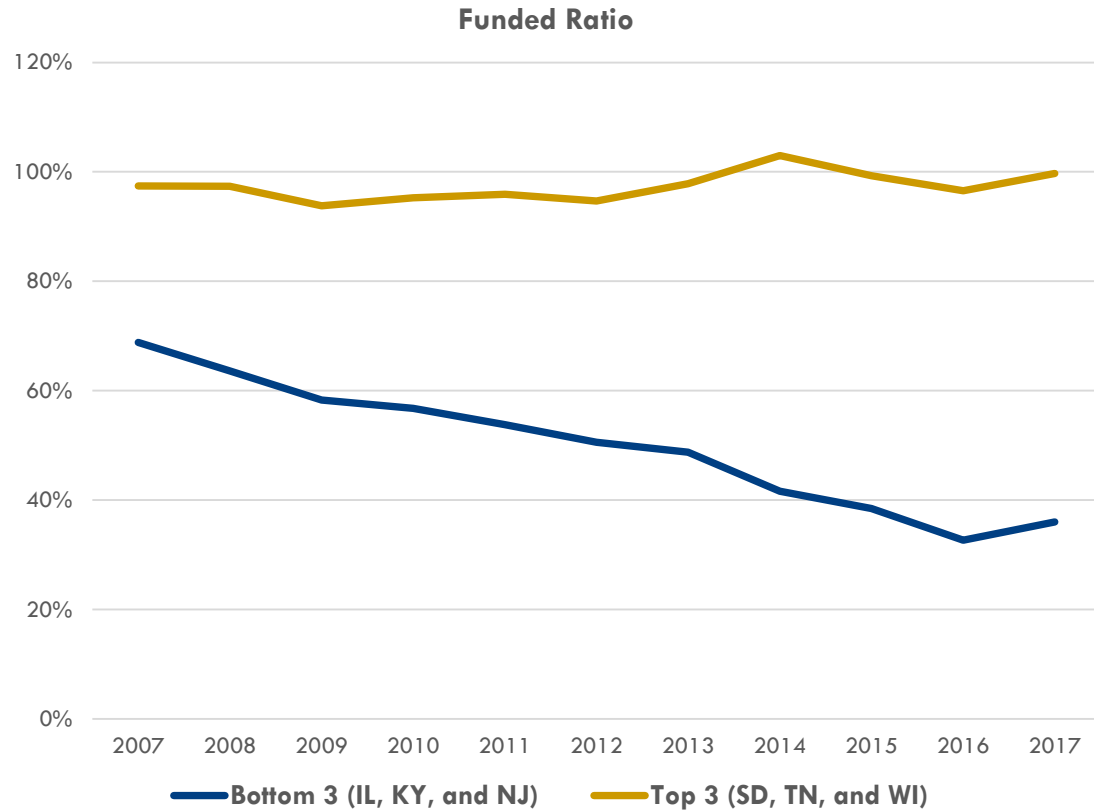


Note: Data reflects Federal Reserve data as of Q1 2018, prior to a change in the Fed's methodology for calculating pension liabilities.

Source: Federal Reserve Board

Funded Status and Contribution Rates for Top/Bottom 3 Funded States

South Dakota, Tennessee, and Wisconsin maintained well-funded pension plans while keeping costs stable

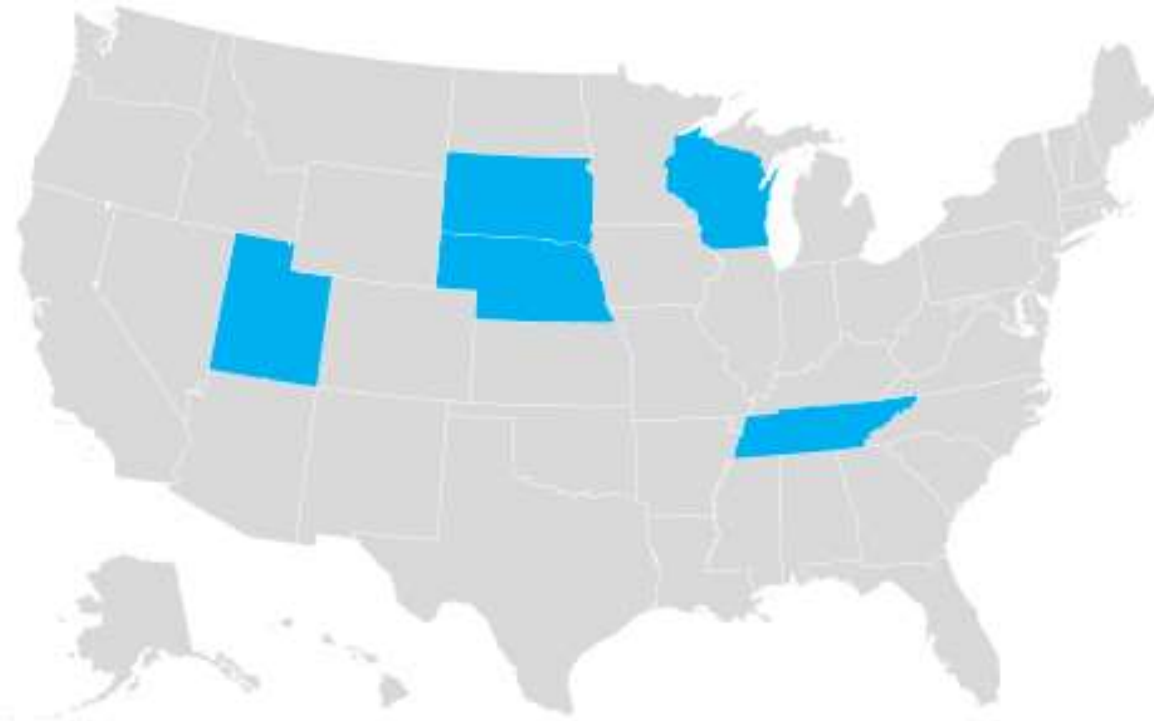


Habits of Highly Successful Retirement Systems

- Fiscal discipline – making annual required contributions.
- Effective risk management and cost sharing policies.
- Path to retirement security across the workforce.

Spotlight on Five State Pension Plans: No-~~One-Size-Fits-All~~

Well funded (>90%) with strong risk management policies, outcomes for retirement security



Plans Identified by Pew:

- Nebraska – State and County Employees Pension Plans
- South Dakota Retirement System (SDRS)
- Tennessee – Public Employees Retirement Plan
- Utah Retirement System (URS)
- Wisconsin Retirement System (WRS)

How Do We Define Success?

➤ Financial Stability

- Costs are *sustainable* and *predictable* across the economic cycle.

➤ Intergenerational Equity

- Benefits for current workers are funded by current taxpayers.

➤ Retirement Security

- Provide a path to retirement security consistent with workforce goals.

Putting Theory Into Action

- Ensuring financial stability – stress testing and risk reporting are key.
- Cost sharing – different models and implementation issues.
- Managing changes in economic and investment return outlook.
- The role of clear objectives in strengthening retirement systems.



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