

State and Local Pension Plans: Underfunding and the Protection of Benefits

Pension Rights Center
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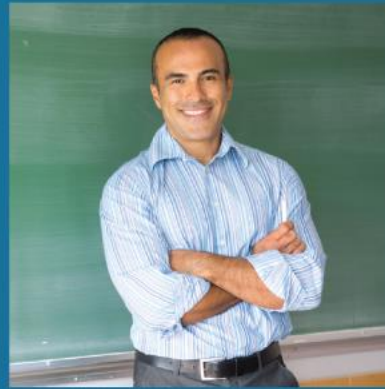
Who We Are



AFL-CIO



**Pensions provide the most secure retirement
for our teachers, nurses, firefighters and
other public employees.**



What is the current funded status of state & local plans?

- According to the Center for Retirement Research at Boston College, in 2015, state plans were funded at **73.9%** and local plans were funded at **69.9%**
- According to the NCPERS 2017 survey of plans, responding plans had an average funded status of **71.3%**

What are the main causes of underfunding in state & local plans?

- Inadequate Contributions
- Poor Investment Returns
- Changing Actuarial Assumptions
- Lingering Effects from the Recession

Inadequate Contributions: Not Paying the ARC

- State plans reported receiving 92% of ARC in 2015
- Local plans reported receiving 94% of ARC in 2015

Poor Investment Returns

But stronger investment returns recently...

- Oklahoma Teachers Retirement System: 21%
- Texas Teachers Retirement System: 12.9%
- North Carolina Retirement Systems: 13.5%
- Oregon Public Employee Retirement System: 15.3%

Changing actuarial
assumptions:
lower investment returns,
longer mortality

Lingering Effects from the Recession



Where do we see things going in the next few years?

- Continuing pressure to lower the discount rate.
- Do plans continue to earn the double-digit returns they earned in the past year?
- Do state and local governments continue to underfund the plans?

What are the different levels of legal protections for public pensions?

- Constitutional protections: 7 states
- Contract rights protections: 34 states
- Property rights protections: 6 states
- Gratuity approach: 2 states
- Promissory estoppel theory: 1 state

What happens to the California Rule?

Allen v. City of Long Beach (1955)

*Cal Fire Local 2881 v. the
California State Employees'
Retirement System and the
State of California*

*Marin Association of Public
Employees v. Marin County
Employees' Retirement
Association*

Which Other States Follow the California Rule?

Alaska

Colorado

Idaho

Kansas

Massachusetts

Nebraska

Nevada

Oklahoma

Oregon

Pennsylvania

Vermont

Washington

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