2016 NCPERS Public Retirement Systems Study
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National Conference on Public Employee Retirement Systems
NCPERS is the largest nonprofit trade association representing 500+ public sector DB plans that have $3.5+ trillion in assets.

Who we ARE:

- **A**dvocacy
- **R**esearch
- **E**ducation

[www.NCPERS.org](http://www.NCPERS.org)
Study Goals

- 6th year comprehensive study
- Explore public sector retirement practices
- Analyze the most current data available on retirement funds’ current fiscal condition and steps they are taking to ensure fiscal and operational integrity
- Identify best practices and strategies for lowering unfunded actuarial accrued liability
Methodology

- Two pools of respondents:
  1. NCPERS members
     - Invited 536 funds
     - Conducted via survey online via eblast
  2. Top 500 non-NCPERS member funds by assets and participants
     - Invited 250 funds
     - Conducted using two paper mailings with option to complete online
- Conducted between September and November 2016 (same timeframe as prior studies)
- Valid response from 159 funds, of which 71 also responded to the 2015 study
  - This group provides direct comparisons on several key dimensions in the survey, such as: funded status, contribution rates, and actuarial assumptions
- Overall distribution of responding funds is similar to prior studies
Fund Confidence

- “How satisfied are you with your readiness to address retirement trends and issues over the next two years?”
- 8.1 overall confidence rating (on scale of 1 to 10, where 10 = very satisfied).
Expenses

- Average expense for plans to administer their plans and pay investment fees is 56 bps (100 bps = 1%).
  - 42 bps for investment fees.
  - 14 bps for administrative fees.
- 2015: 60 bps.
- 2014: 61 bps.
- According to the 2016 Investment Company Fact Book, the average expenses of mutual funds are 68 bps for equity mutual funds and 77 bps for equity/bond mutual funds.
Plan Changes Trends

- As changes emerge in the political, economic and demographic landscape, funds are adapting their design and assumptions to respond and to maintain the sustainability of the plans.

- The wording for the response options changed between the 2015 and 2016 studies, therefore no comparisons can be drawn.

Trends in Plan Changes

As changes emerge in the political, economic and demographic landscape, funds are adapting their design and assumptions to respond and to maintain the sustainability of the plans. The wording for the response options changed between the 2015 and 2016 studies, therefore no comparisons can be drawn. It is important to note that more than a quarter of all responding funds are considering an adjustment to their actuarial assumed rate of return.
Business Practices Trends

- The majority of responding funds have requested an updated Internal Revenue Service Letter of Determination.

- Areas that may see increased activity in the over the next year include providing and updating online member portals.

- Newly tracked in 2016 include: Enhance member financial wellness/retirement readiness, Strengthen design standards for online communications, Conduct employer/reporting unit satisfaction survey.
Engagement Trends

- Responding funds have focused or will be focusing on include:
  - Expanding retirement planning education for their members.
  - Notifying members of updated handbooks and summary plan information.
  - Providing factsheets/talking points on key issues.
Engagement Trends continued

- Areas with increased activity over 2015 include:
  - Participating in social media (Facebook or Twitter).
  - The ability to send mass phone and text messages to their entire membership.

- Newly tracked in 2016 include:
  - Mobile app capacity.
  - Whether plans allow Board members to participate and vote via conference call.
Bottom Line

2016 Key Findings
1. The trend of public funds becoming more cost effective continues
2. Funds continue to tighten benefits and assumptions
3. Funds are currently experiencing healthy 3-year, 5-year and 20-year returns
4. For the 3rd consecutive year, responding funds experienced an increase in average funded level
5. Income used to fund pension programs generally comes from three sources: member contributions, employer contributions and investment returns
Wrap Up

- 2017 NCPERS Public Employee Retirement Systems Study will be launched in the Fall

- Questions?
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Thank You

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