Comments on Session 1 Papers
Pension Research Council Symposium, May 1-2, 2008
"The Future of Public Employee Retirement Systems"

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Redefining Traditional Plans: Variations and Developments in Public Employee Retirement Plan Design Keith Brainard

The Evolution of Public Sector Pension Plans in the United States Robert L. Clark, Lee A. Craig, and Neveen Ahmed (CCA)

- Common themes

  Flexibility, adaptability of public pension systems

  CCA: History of formation of state and local public plans; response to Social Security; determinants of replacement rates in benefit formulas from 1982 to 2006

  Brainard: Five detailed examples of recent adjustments to state pension plans

- Motivation for changes to state plans in Brainard (2008)

Add-on DC feature - “return to work” provision for teachers

Addressing inflation problems in DB plans

Address retirement saving inadequacy of DC plan (Nebraska)

Restore cost sustainability in DB/DC hybrid (Oregon)

- Nebraska state and county workers

Primary DC plan

2002: Switch to Cash Balance Plan for new hires

- Oregon state workers, teachers, most local workers

Declining DB funding level and high DC costs (guaranteed earnings feature → 20% employer contribution)

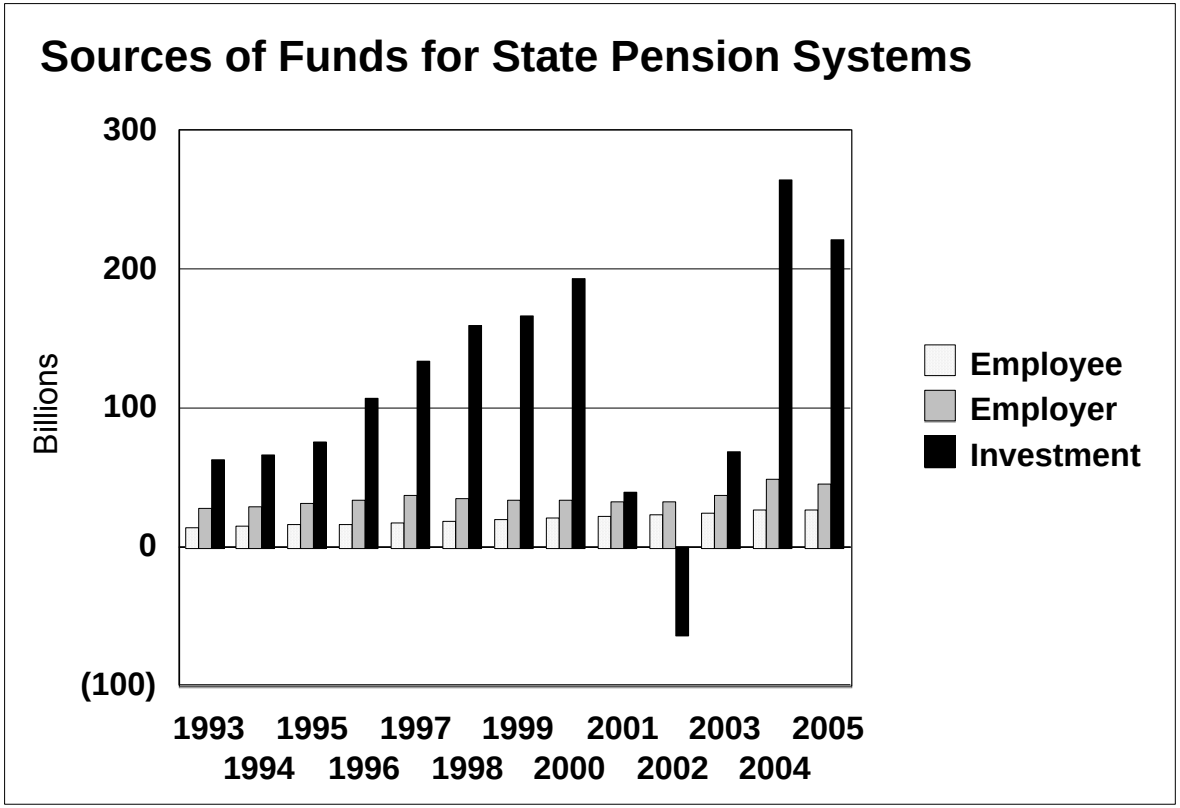
- Michigan state employees

1997 Switch from DB to DC plan

- Close connection between state finances and state pension system

Charts

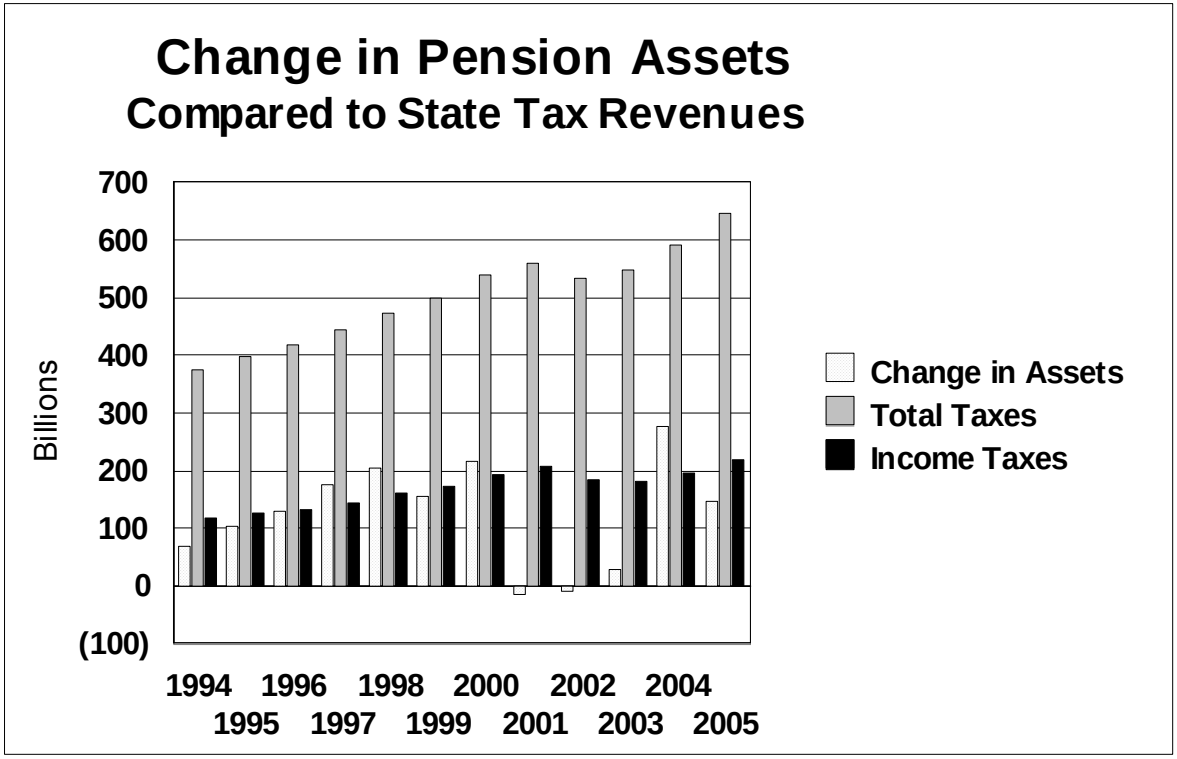
Chart 1



Source: Federal, State, and Local Governments, 2005 State and Local Government Employee-Retirement Systems, U. S. Bureau of Census, http://www.census.gov/govs/www/retire05view.html

Charts

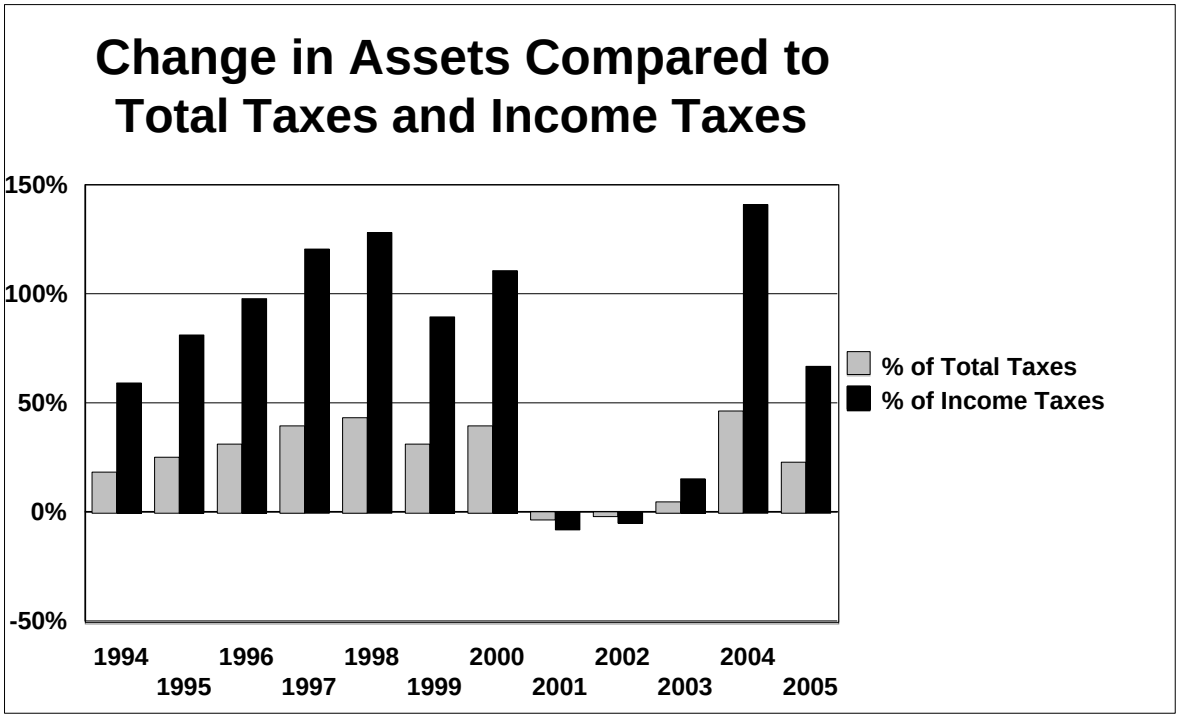
Chart 2:



Source: Federal, State, and Local Governments, 2005 State and Local Government Employee-Retirement Systems, U. S. Bureau of Census, http://www.census.gov/govs/www/retire05view.html and State Tax Collections, http://ftp2.census.gov/govs/statetax/05staxss.xls U. S. Bureau of Census.

Charts

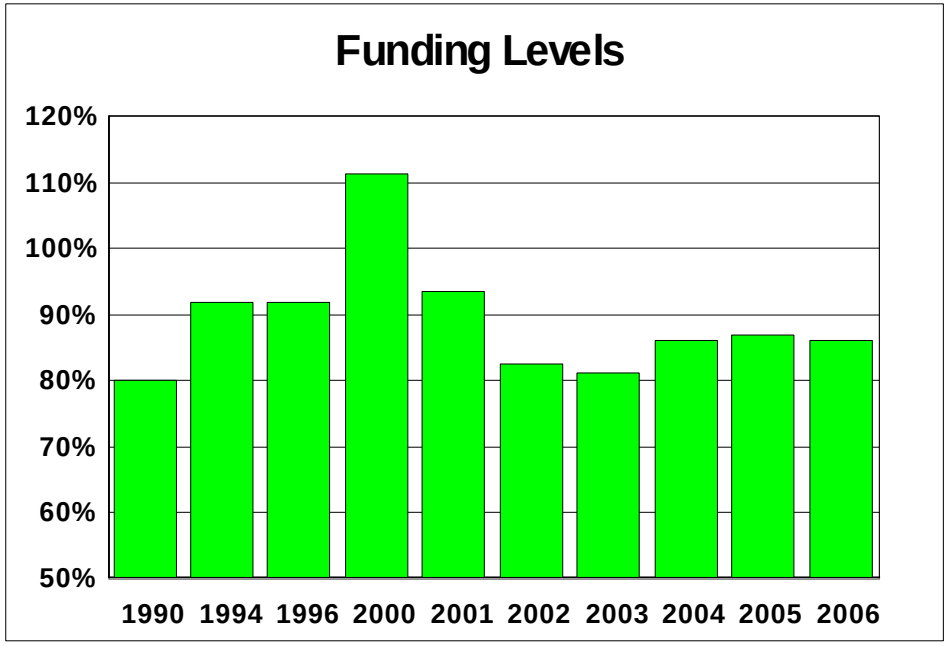
Chart 3:



Source: Federal, State, and Local Governments, 2005 State and Local Government Employee-Retirement Systems, U. S. Bureau of Census, http://www.census.gov/govs/www/retire05view.html and State Tax Collections, http://ftp2.census.gov/govs/statetax/05staxss.xls U. S. Bureau of Census.

Charts

Chart 4:



Source: 2007 Wilshire Report on State Retirement Systems: Funding Levels and Asset Allocation, Wilshire Consulting

Table 3. Pooled OLS and Fixed Effects Regression. Dependent variable: plan funding ratio (%)					
	Pooled OLS 2000, 2002, 2004				Fixed Effects
	(1)	(2)	(3)	(4)	(5)
Local employees	5.50 (3.30)	4.46 (3.20)	**9.27** **(4.89)**	8.69 (4.72)	
Teachers	-5.25 (3.43)	-4.23 (3.38)	0.025 (3.92)	-0.56 (3.84)	
Log(active members)	1.55 (1.53)	1.05 (1.59)	-3.89 (4.22)	-2.98 (4.07)	-1.23 (6.87)
Ratio: actives to beneficiaries	**4.51** **(2.33)**	**5.11** **(2.54)**	**6.81** **(2.85)**	**6.47** **(2.79)**	-0.79 (2.99)
Auto COLA		4.22 (4.63)	2.65 (4.64)	2.60 (4.62)	-0.24 (4.41)
Early out		-1.10 (3.37)	0.95 (3.28)	0.39 (3.39)	1.36 (5.72)
Formula multiplier		**8.67** **(4.26)**	6.67 (4.77)	6.16 (4.83)	-7.50 (8.99)
Employee Contribution (%)		**-1.54** **(0.56)**	-1.18 (0.64)	-1.01 (0.63)	0.82 (0.99)
Unit credit Method		-4.63 (5.54)	-4.59 (4.95)	-6.20 (4.72)	0.74 (2.06)
Log(tax revenue pc)			9.77 (9.16)	11.07 (8.92)	**49.88** **(26.10)**
Log(population)			6.04 (4.26)	5.42 (4.08)	41.07 (53.11)

Note: Standard errors are robust to heteroskedasticity and serial correlation.
Source: Giertz and Papke (2007)

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Table 3. Pooled OLS and Fixed Effects Regression. Dependent variable: plan funding ratio (%)					
	Pooled OLS 2000, 2002, 2004				Fixed Effects
	(1)	(2)	(3)	(4)	(5)
Percent stocks				0.14 (0.10)	0.045 (0.100)
Percent bonds				0.038 (0.115)	0.051 (0.12)
Y2002	**-3.62** **(1.35)**	**-4.004** **(1.53)**	**-3.17** **(1.62)**	**-3.33** **(1.59)**	-3.84 (2.39)
Y2004	**-9.81** **(1.89)**	**-10.37** **(2.06)**	**-10.19** **(2.17)**	**-10.69** **(2.17)**	**-16.26** **(3.74)**
Constant	67.24 (17.00)	61.44 (18.56)	-13.91 (72.62)	-32.14 (71.96)	-596.34 (503.78)
R-squared	.180	.25	.28	.300	
Obs.	237	228	228	228	228

Note: Standard errors are robust to heteroskedasticity and serial correlation.
Source: Giertz and Papke (2007)

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