



# PLUGGING PENSION GAPS IN A POST-PANDEMIC ERA

NCSL 2023 Fiscal Institute Symposium

November 16<sup>th</sup>, 2023



# 2023 Pension and Retirement Policy Trends

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- ❖ Reemployment after retirement
- ❖ Recruitment and Retention
- ❖ Cost of Living Adjustments (COLAs)
- ❖ Investment options and Environmental, Social and Governance (ESG) legislation
- ❖ Funding/Unfunded liabilities
- ❖ Legislation addressing service credits and other plan options and features
- ❖ Legislation on alternative plan designs, such as Cash Balance, DC and Hybrid plans

- ❖ Aggregate funded ratio for state and local public pension plans expected to increase to 77.4% in FY 2023, up from 75% in FY 22
- ❖ 2023 unfunded liabilities are projected to remain effectively flat, decreasing slightly to 1.49 trillion from 1.47 trillion in 2022
  - ❖ 34 states are estimated to be 70% + funded at the end of 2023
  - ❖ Only four states are estimated to be less than 60% funded
- ❖ Cost of Living Adjustments (COLAs) were passed in many states: Georgia, Maryland, Massachusetts, North Carolina, Ohio, Pennsylvania, Texas and Washington, among others
- ❖ Lump sum appropriations to pension funds in several states, including Connecticut, Illinois, Michigan, Minnesota, and Texas

## Pension Funding Trends and Cost of Living Adjustments

## CONNECTICUT

- ❖ State officials used the bulk of last fiscal year's \$1.9 billion surplus to reduce pension debt, in effort to reduce unfunded liabilities
  - ❖ These funds are estimated to raise total supplemental payments into cash-starved funds to nearly \$7.7 billion in just four years (pension debt is currently around \$40 billion in CT)

## ILLINOIS

- ❖ In FY 2023, Governor Pritzker signed a budget that funded pensions at \$500 million more than required, repaying the state's remaining outstanding debts and putting \$1 billion in the Budget Stabilization Fund
  - ❖ This appropriation is estimated to reduce long-term liabilities by an estimated \$1.8 million

## MICHIGAN

- ❖ In September 2023, Governor Whitmer announced that more than \$553 million in Protecting MI Pension Grant awards would be sent to 123 Michigan communities, to address unfunded liabilities and shore up savings for Michigan seniors
  - ❖ The Protecting MI Pension Grant Program was created in effort to address \$18 billion in unfunded pension obligations by targeting the systems most underfunded local pension; grants awarded in 2023 to communities with funded ratios under 60% will help decrease unfunded liabilities

## MINNESOTA

- ❖ In May 2023, Minnesota passed the Omnibus Pension Finance Bill, which provides \$600 million in one-time funding for public pension uses and related legislation
  - ❖ Bill appropriates \$148.3 million from the state's general fund and pays it directly to the PERA General plan to reduce the plan's unfunded liability
  - ❖ Also created a one-time COLA for PERA plan retirees

## TEXAS

- ❖ State passed proposition 9 (stemming from Joint Resolution 2 from the 88<sup>th</sup> General Session) making an appropriation of \$3.45 billion to the Teacher Retirement System of Texas (TRS)
- ❖ Currently, over a quarter of the system's beneficiaries receive less than \$1000 per month
- ❖ Prop 9 will address this by providing a COLA with an increase of up to 6% for the nearly half a million annuitants in the TRS

## OTHER NOTABLE LEGISLATION: Alaska and North Dakota

- ❖ In 2023, Alaska introduced SB 88, which would re-open the states Defined Benefit plans for public employees. This bill aims to address unfunded liabilities and the state's issues with recruitment and retention of public workers
- ❖ Earlier this year, North Dakota passed HB 1040, effectively closing DB plans for public employees to all future hires (except teachers) in effort to reduce underfunded liabilities