

Public Pension Trends

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**National Association
of State Retirement Administrators**

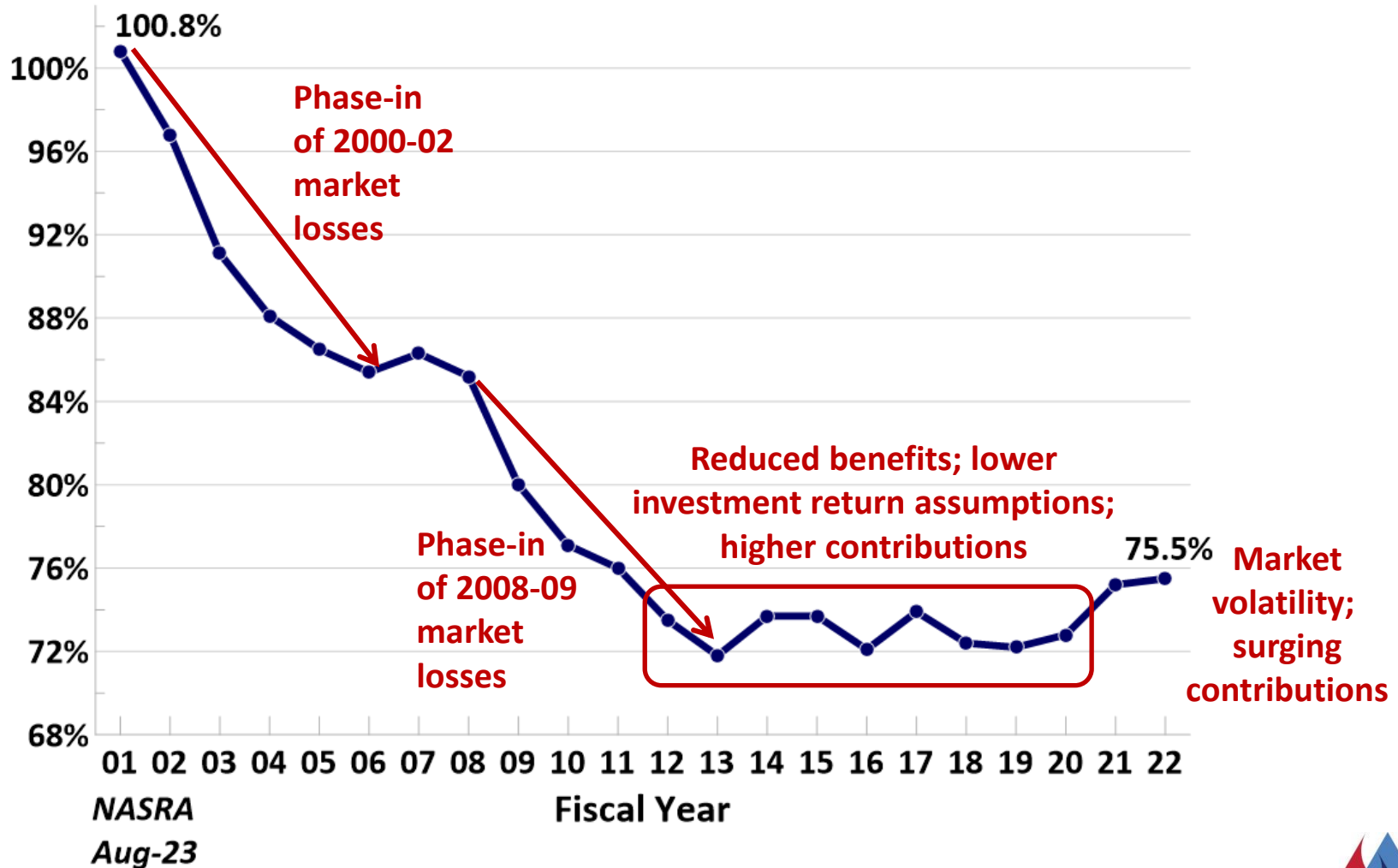
Wisconsin Retirement System
September 2023

Presentation Overview

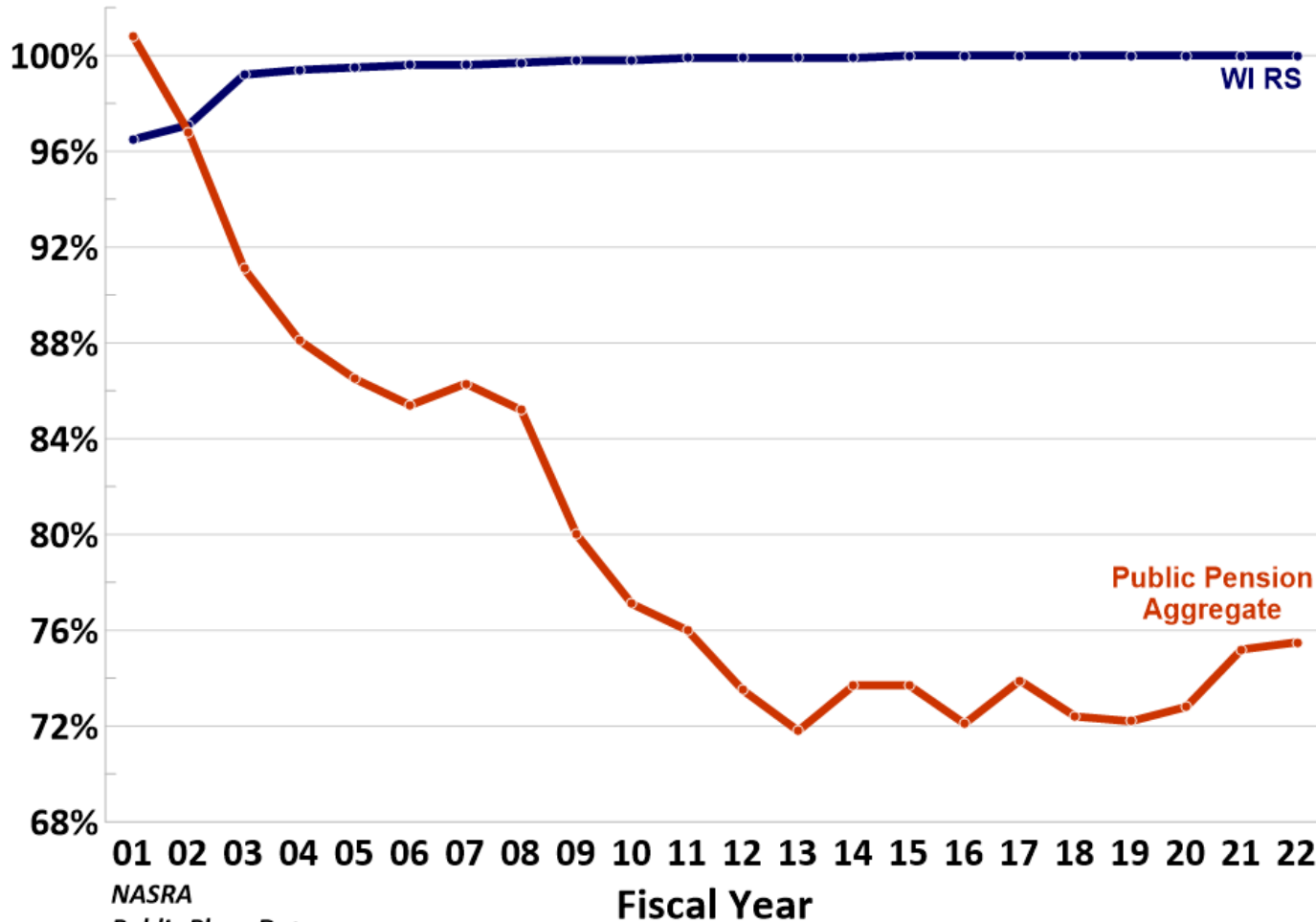
- Funding update
- Actuarial issues
 - Investment return assumptions
 - Inflation
 - Payroll growth
- Contribution trends



History of Aggregate Public Pension Funding Level FY 01 to FY 22

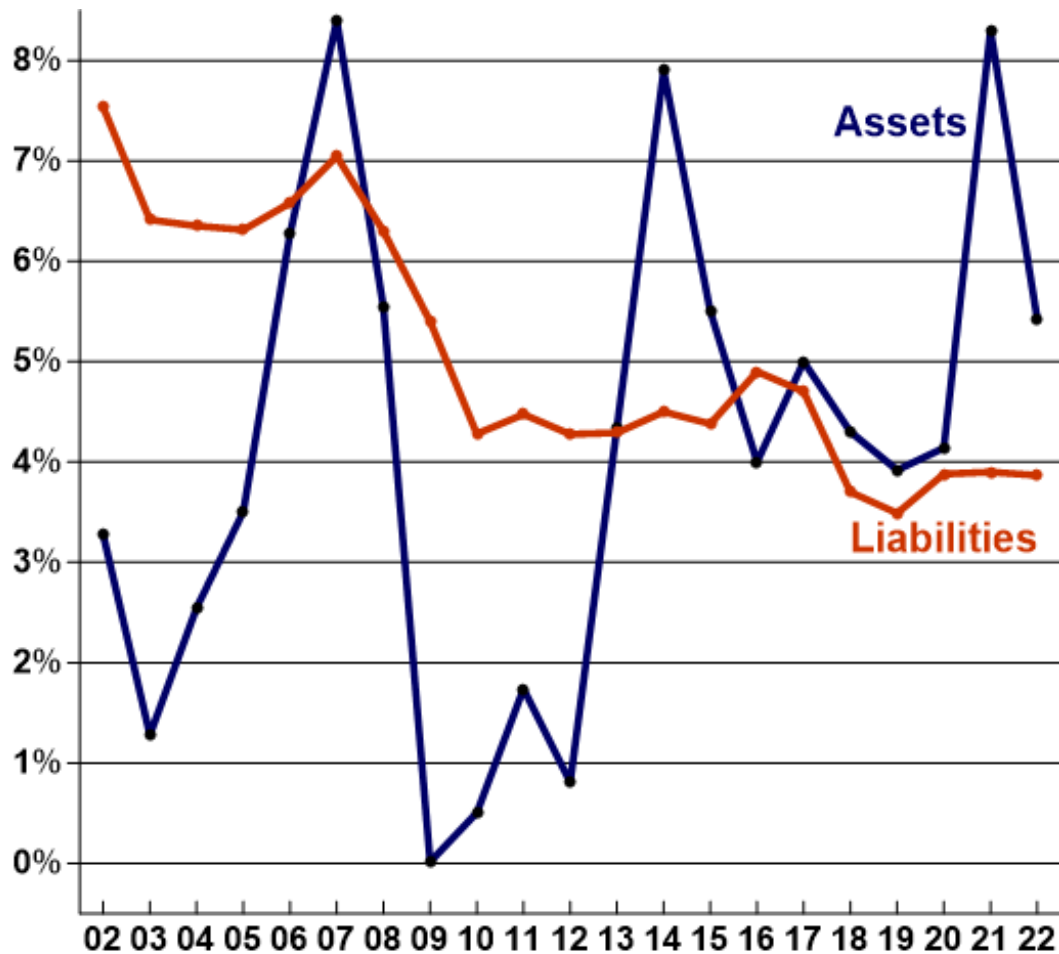


History of Aggregate Public Pension Funding Level FY 01 to FY 22



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Public Plans Data
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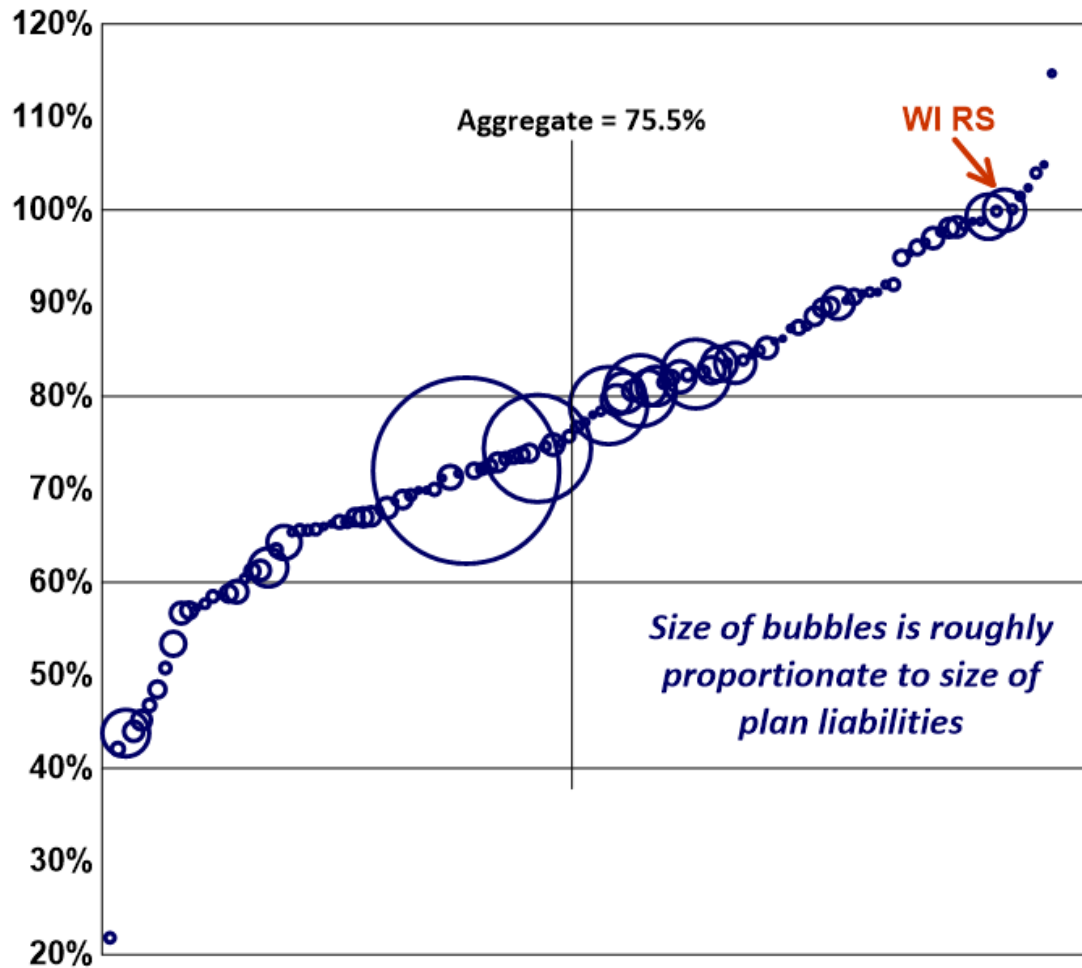
Public Fund Survey
Jul-23

Fiscal Year

Median Change From Prior Year in Actuarial Value of Assets and Liabilities



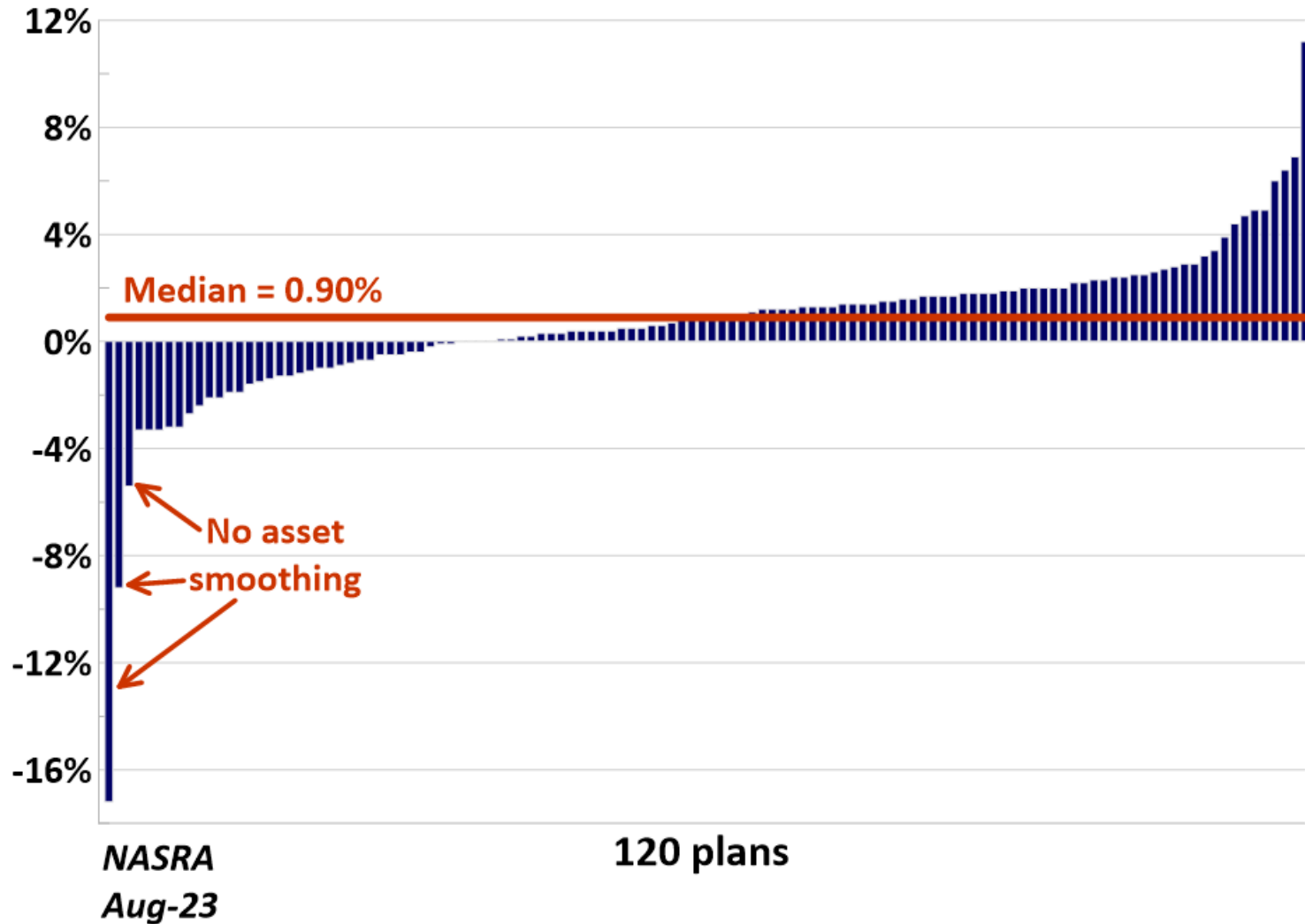
Distribution of Public Pension Funding Levels, FY 22



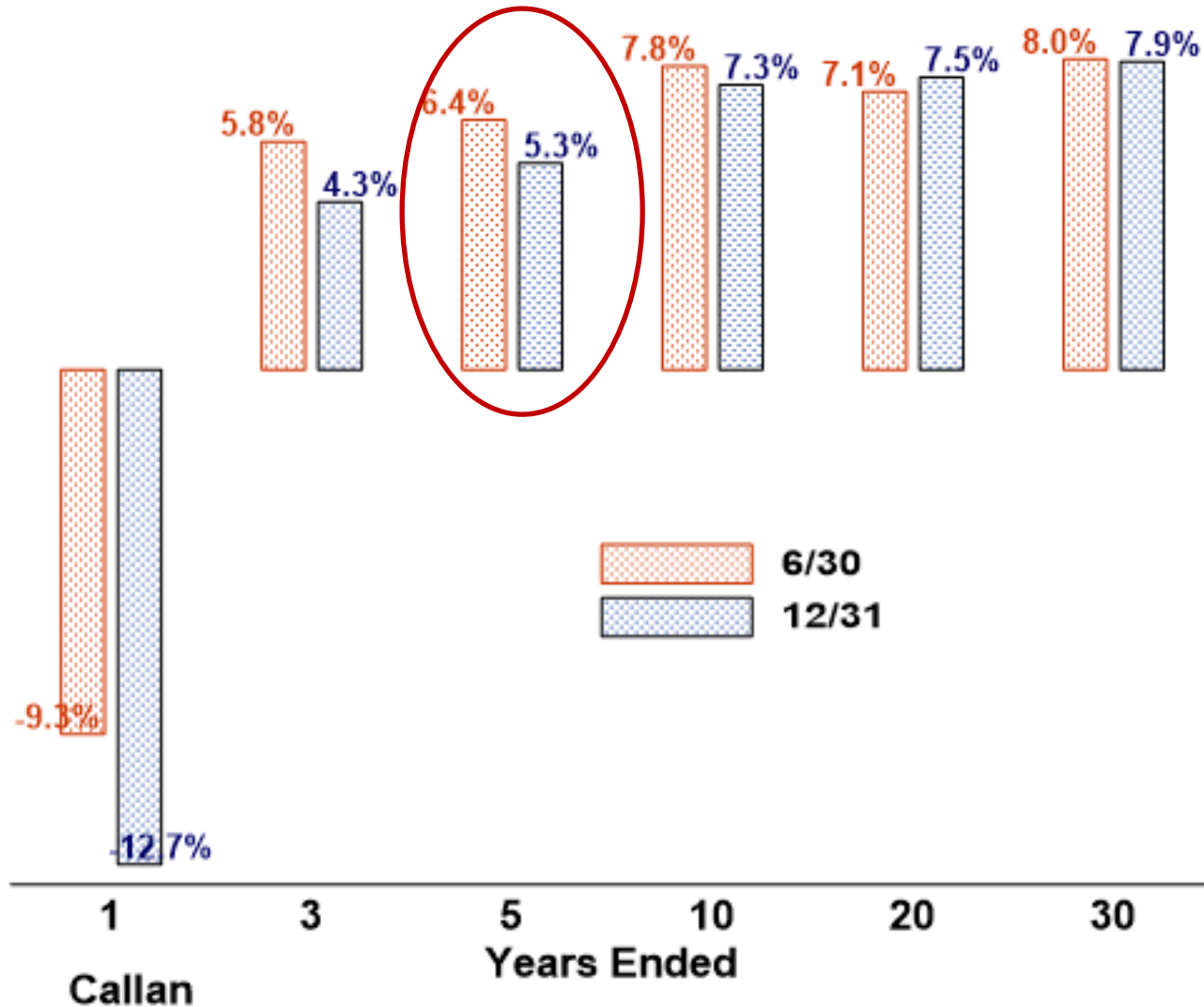
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Distribution of nominal change in funding level, FY 21 to FY 22



Annualized median public pension fund returns for periods ended in FY 2022

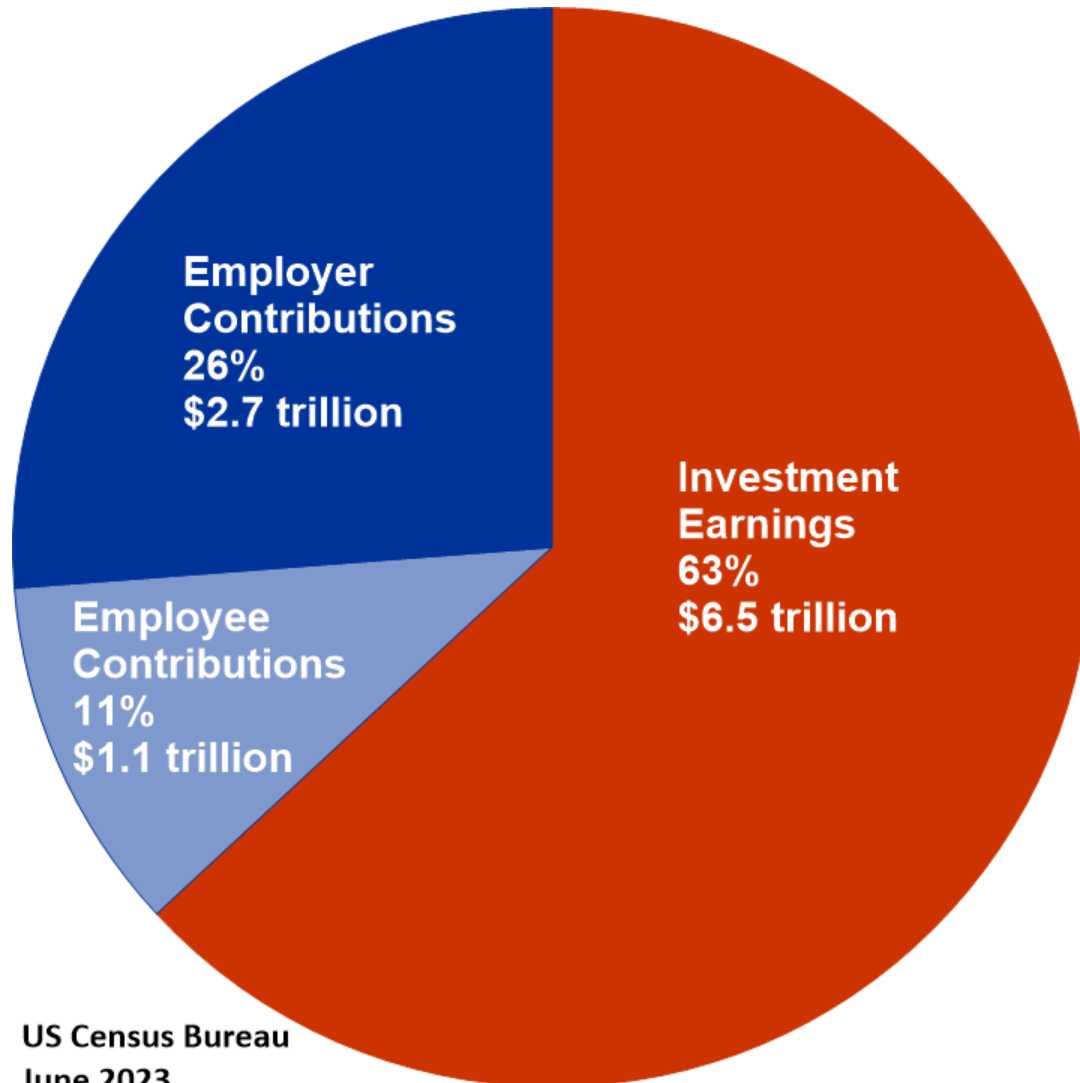


Key Takeaways: Public Pension Funding Conditions

- Funding levels for most public pension plans improved in FY 22, but some signs point to an upcoming decline in aggregate funding levels
- Median growth in the actuarial value of liabilities continues to be lower
- Key funding challenges include:
 - Recent investment returns are below expectations
 - Although trending lower, inflation remains higher by recent historical standards, placing increasing pressure on wages and demands for cost-of-living adjustments

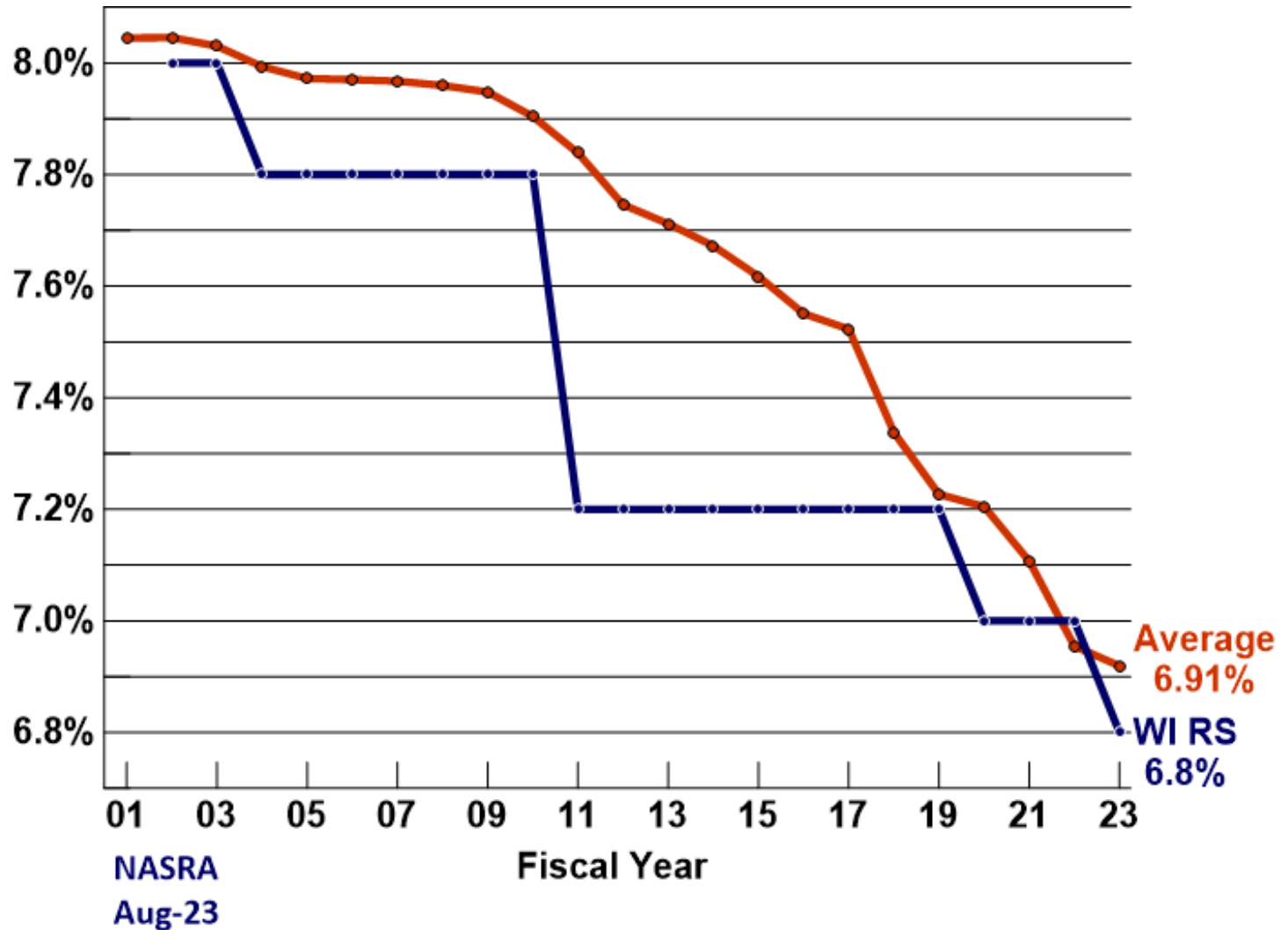


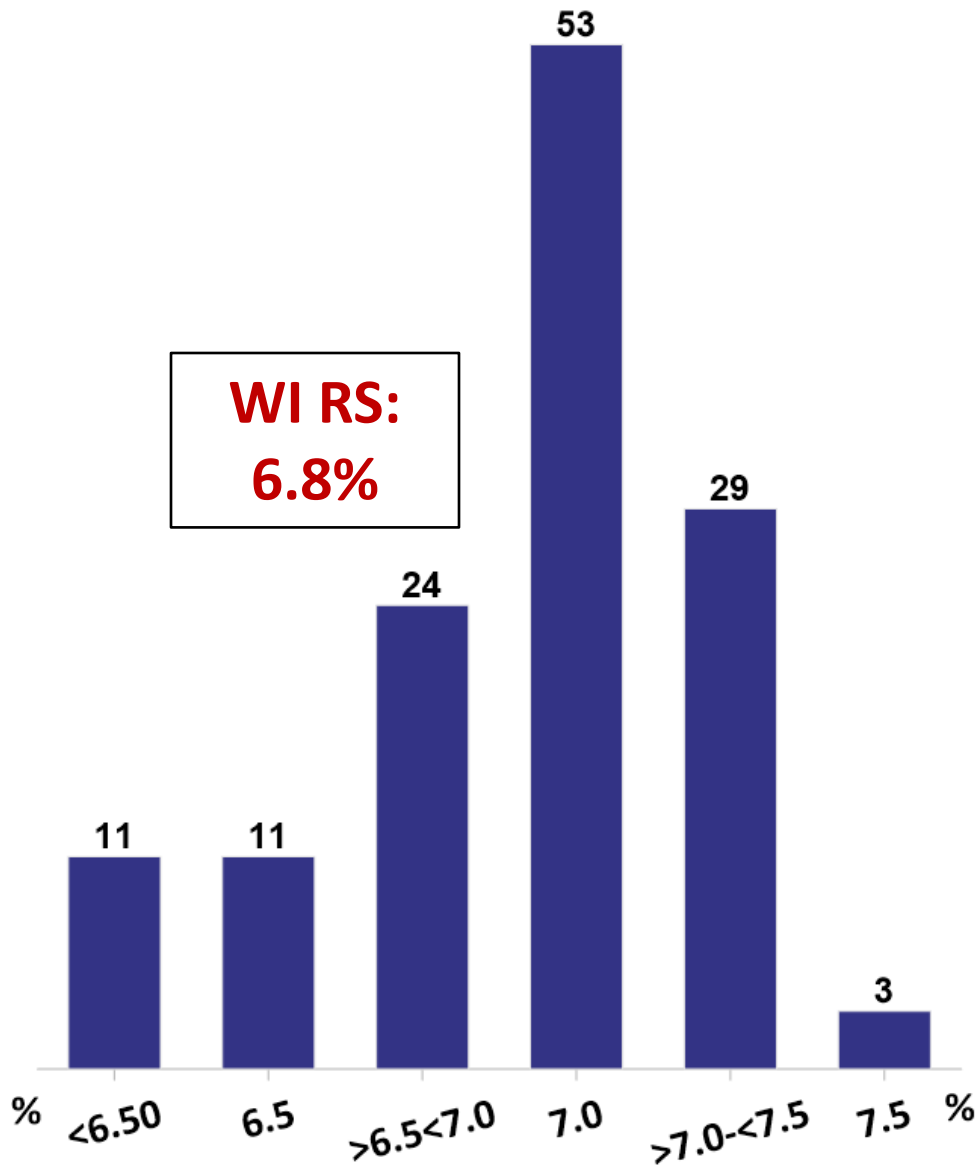
Public Pension Sources of Revenue, 1993 to 2022



US Census Bureau
June 2023

Change in median and average investment return assumption, FY 01 to present





Distribution of latest investment return assumptions

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What is the effect of inflation on public pensions?

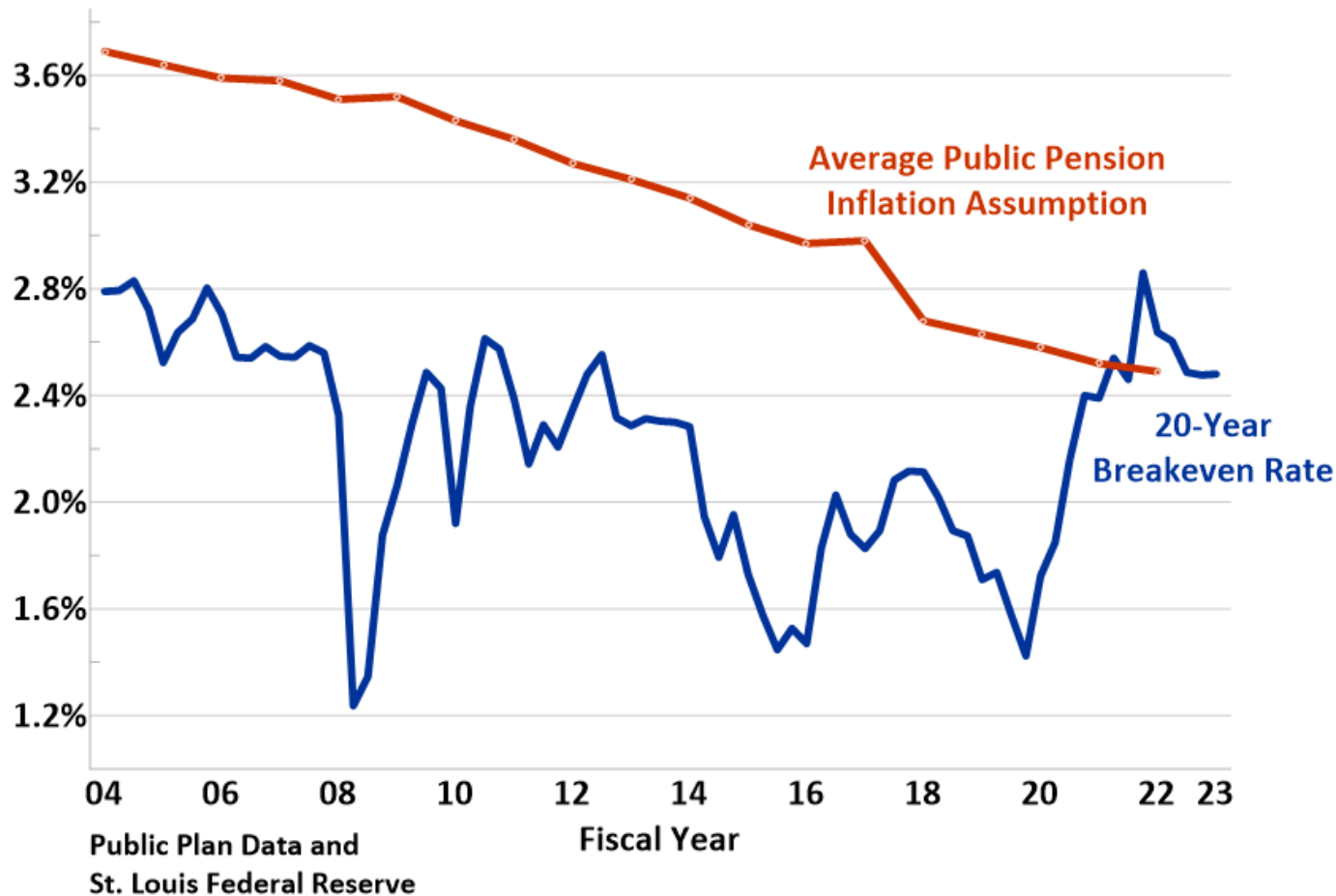
Answer: It depends on individual plan design, demographics, actuarial assumptions, asset allocation and other factors.

Pension plan elements affected by actual or projected rates of inflation

- Participant salaries
- Retirement patterns
- Level of active membership
- Cost-of-living adjustments
- Investment returns
- Plan sponsor revenue



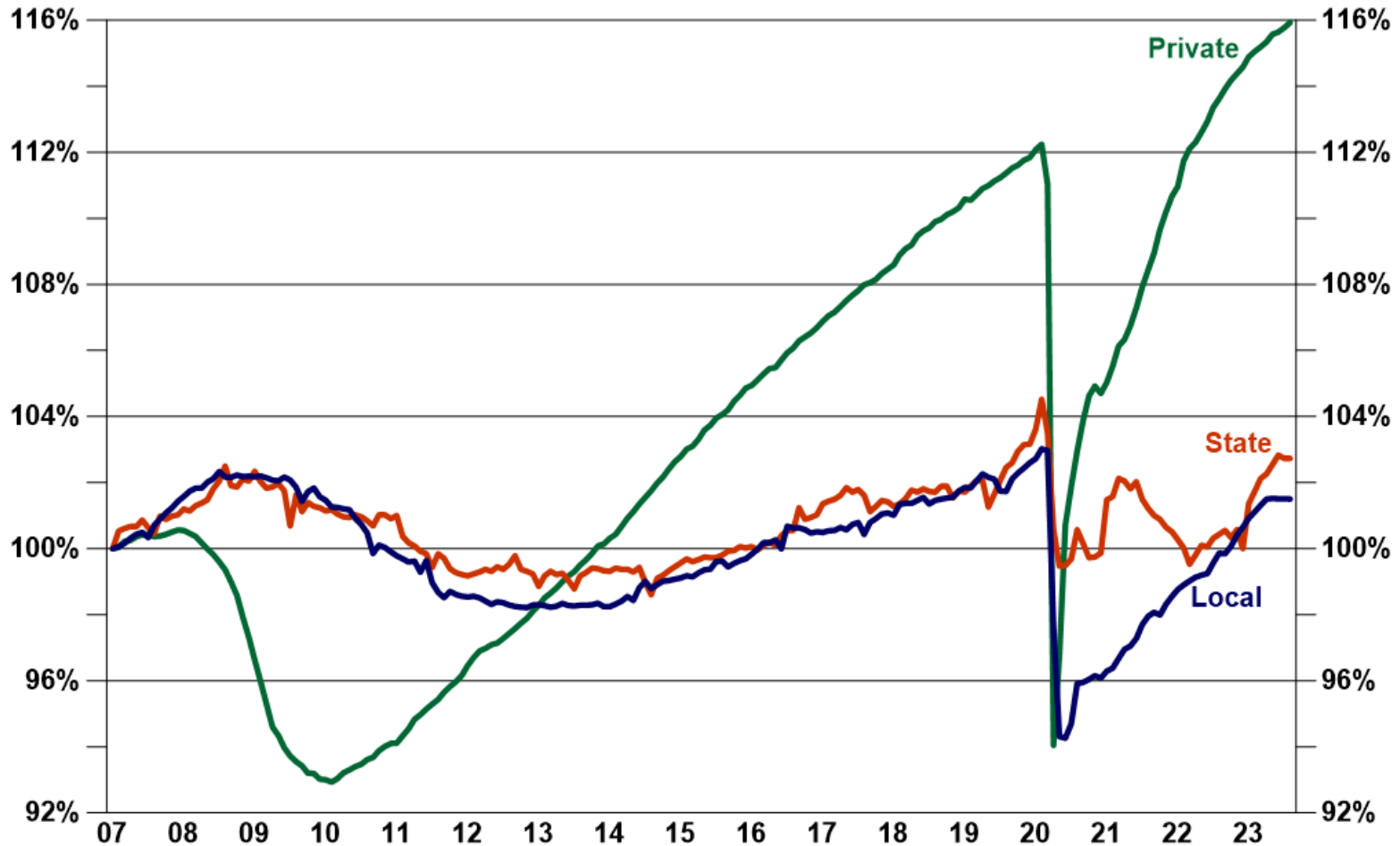
Average Public Pension Plan Inflation Assumption vs. 20-Year Breakeven Rate



The breakeven rate is a measure of expected inflation derived from 20-Year Treasury Constant Maturity Securities and 20-Year Treasury Inflation-Indexed Constant Maturity Securities. The latest value implies what market participants expect inflation to be in the next 20 years, on average.



Relative Change in State and Local and Private Employment since 2007

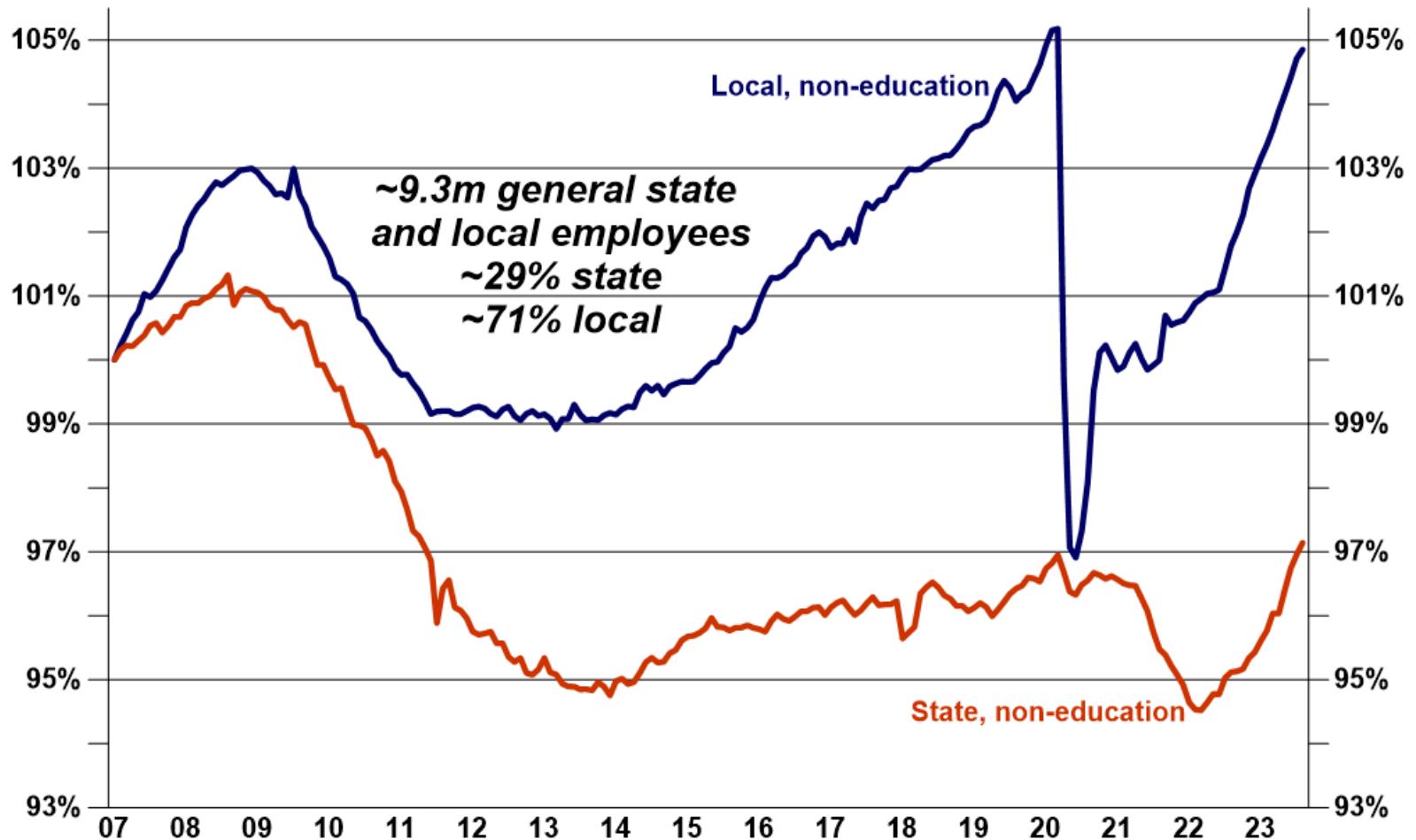


U.S. Bureau of
Labor Statistics,
compiled by NASRA

Data preliminary as of August 2023



Relative Change in General State and Local Employment since 2007

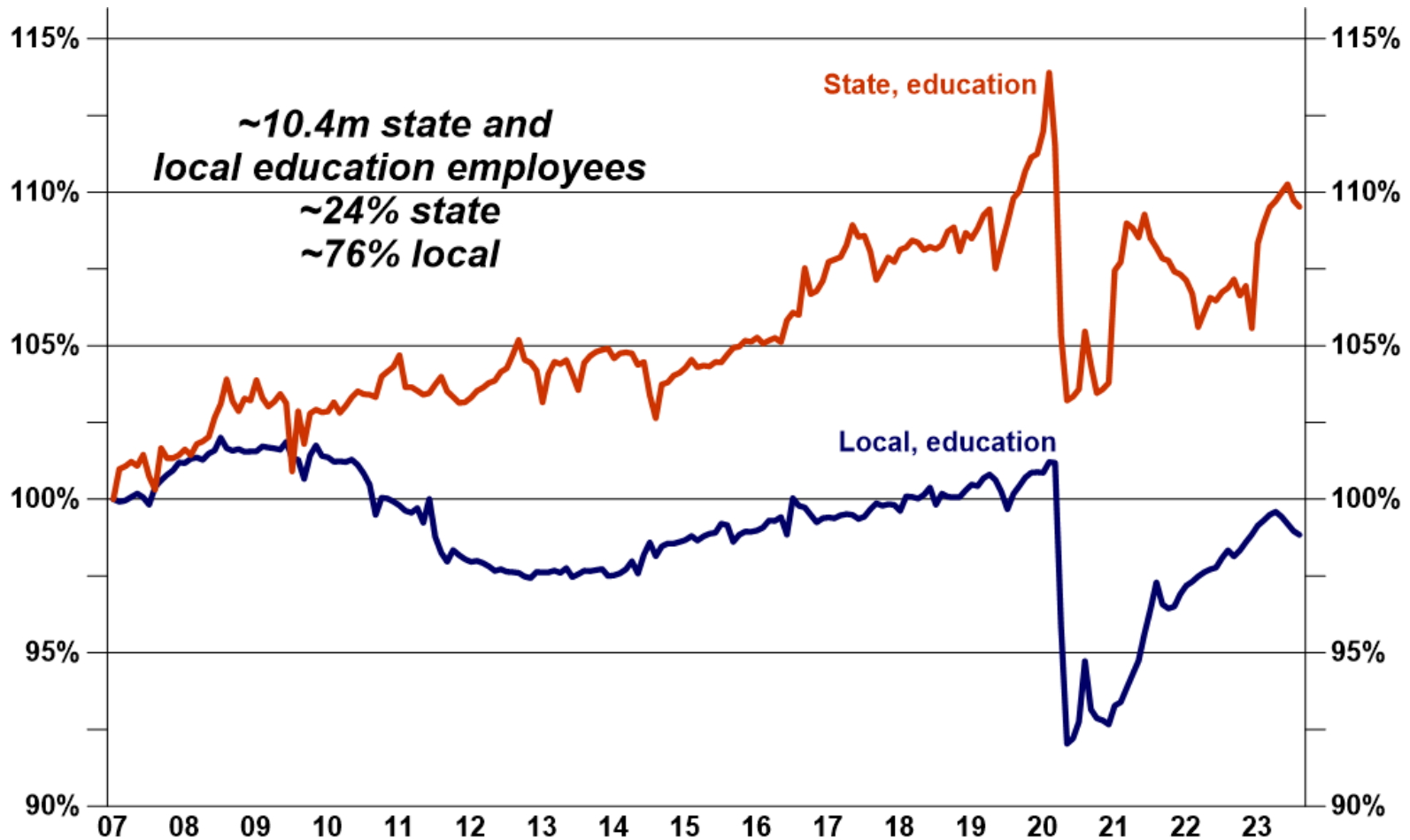


U.S. Bureau of Labor Statistics, compiled by NASRA

Data preliminary as of August 2023



Relative Change in State and Local Education Employment since 2007

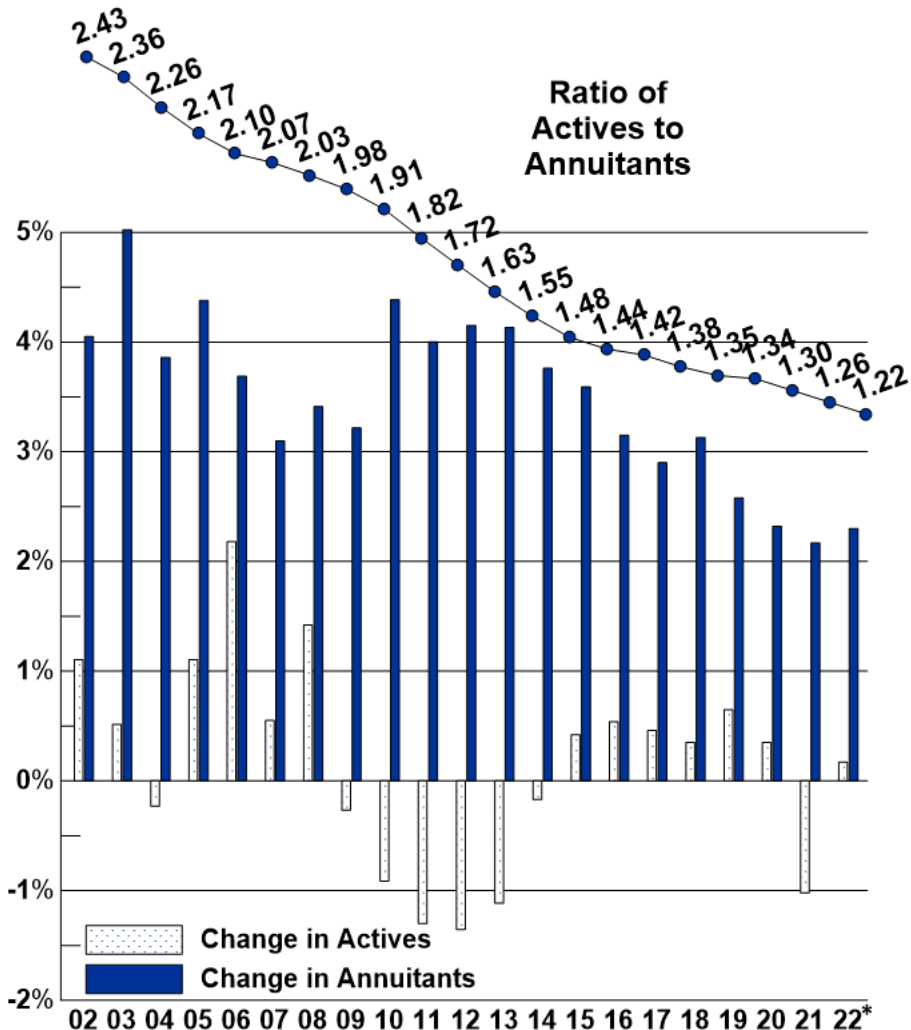


U.S. Bureau of Labor Statistics,
compiled by NASRA

Data preliminary as of August 2023



Median Annual Change in Actives and Annuitants



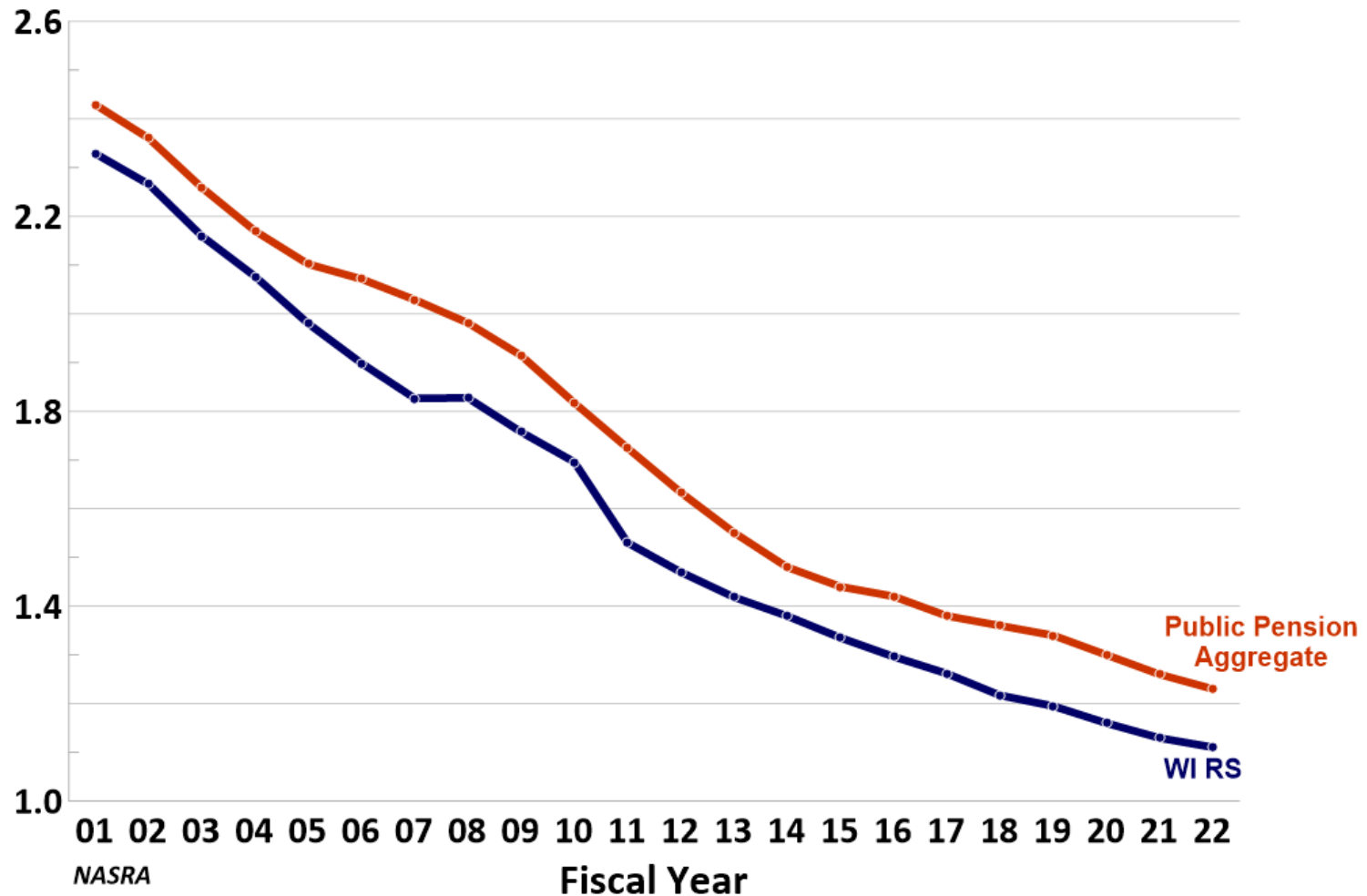
Public Fund Survey Fiscal Year

July-23

*preliminary



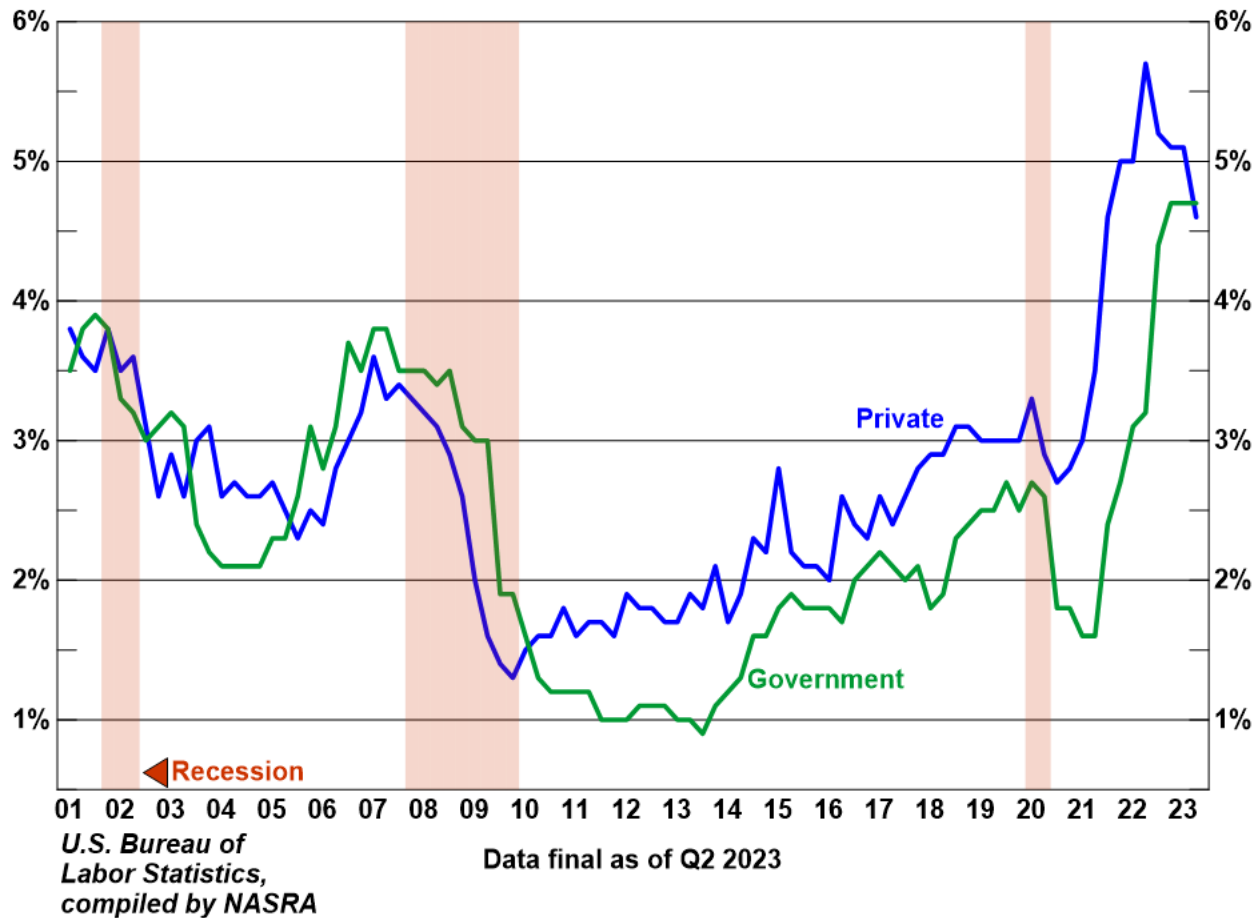
Number of Active Members per Annuitant, FY 01 to FY 22

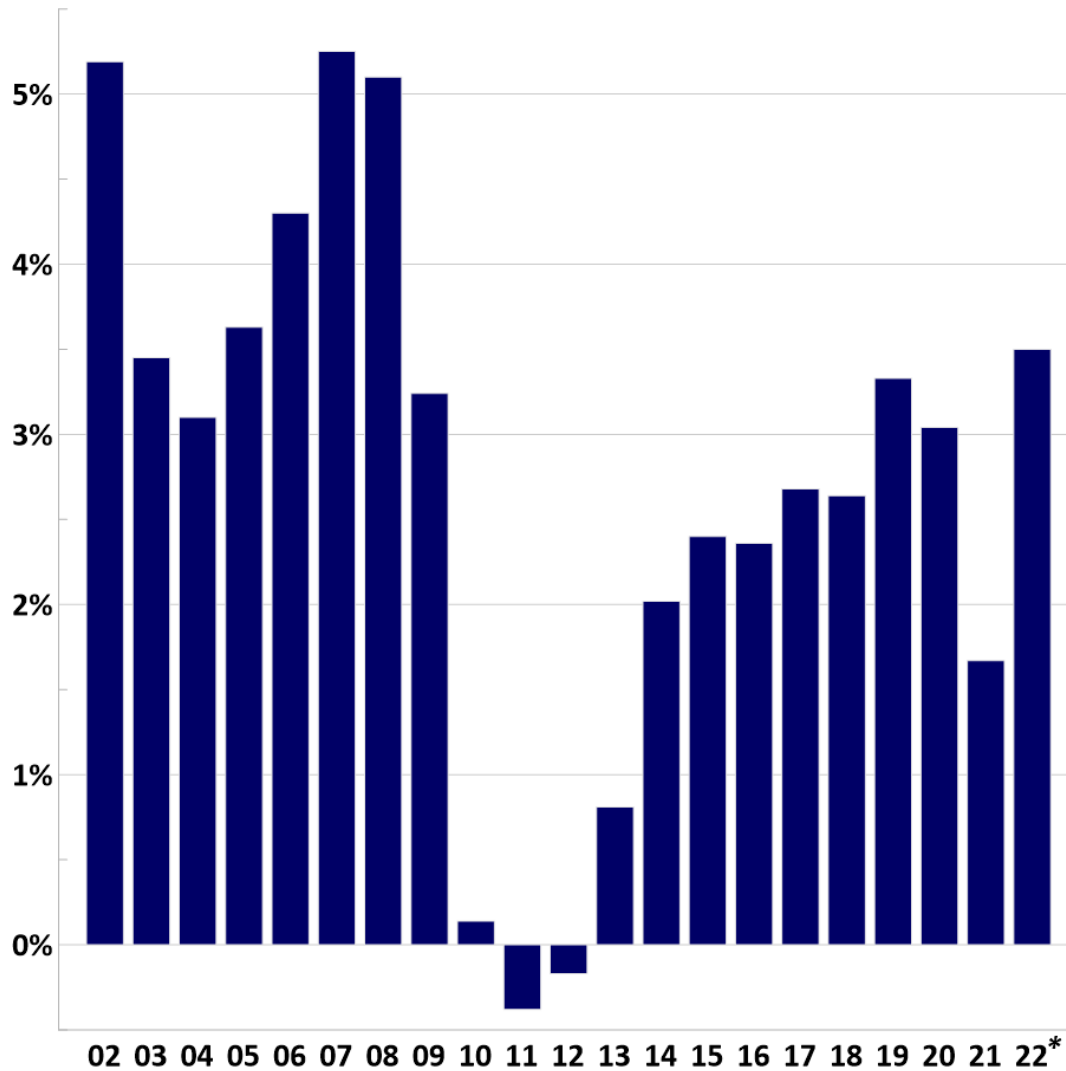


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Annualized Quarterly Change in Wage and Salary Costs for Private and State and Local Workers since 2001



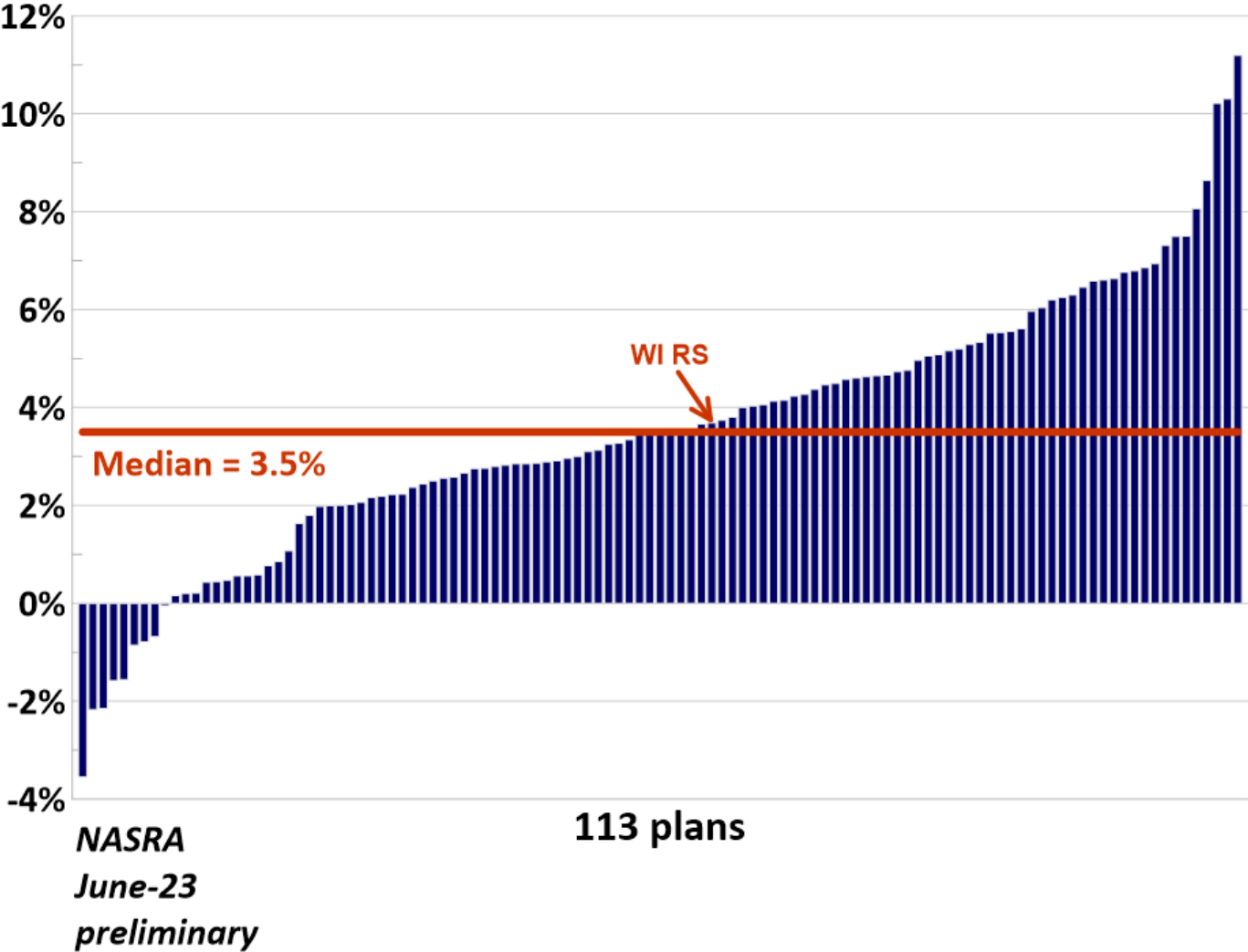


Median Annual Change in Payrolls FY 02 to FY 22

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Distribution of payroll growth, FY 22

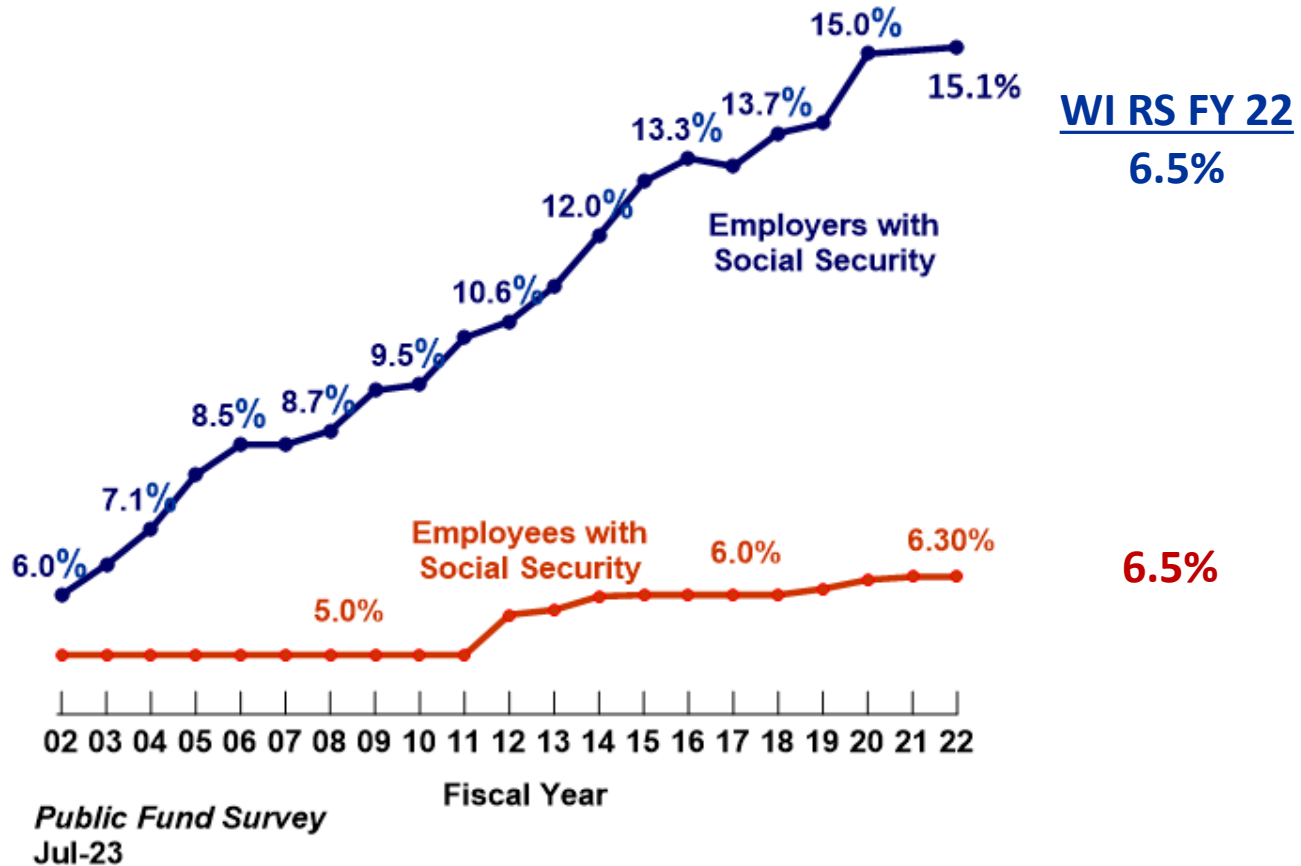


Key Takeaways: Actuarial Issues

- There has been an unprecedented reduction in public pension plan investment return assumptions
- As public pension plan inflation assumptions converge with expectations for actual inflation, most plans are maintaining their investment return assumption
- Accelerating growth in state and local employment and wages is driving higher growth in public pension plan payrolls, though payroll growth remains low compared to historical standards



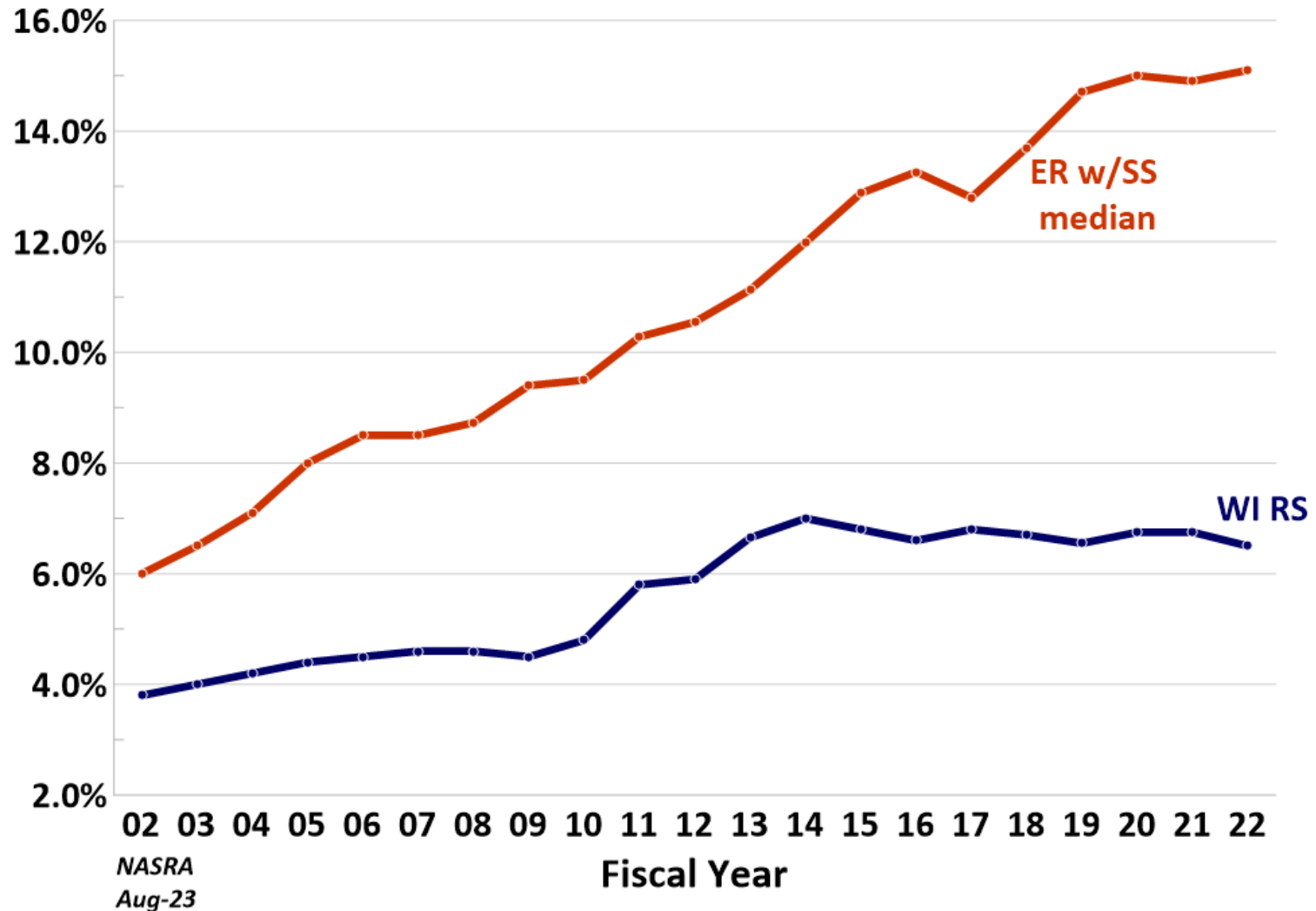
Median Contribution Rates Employee and Employer Social Security-Eligible Workers



Contribution rates reflected here are those for general employees and school teachers and predominantly exclude rates for public safety personnel



Median Contribution Rates Employee and Employer Social Security-Eligible Workers

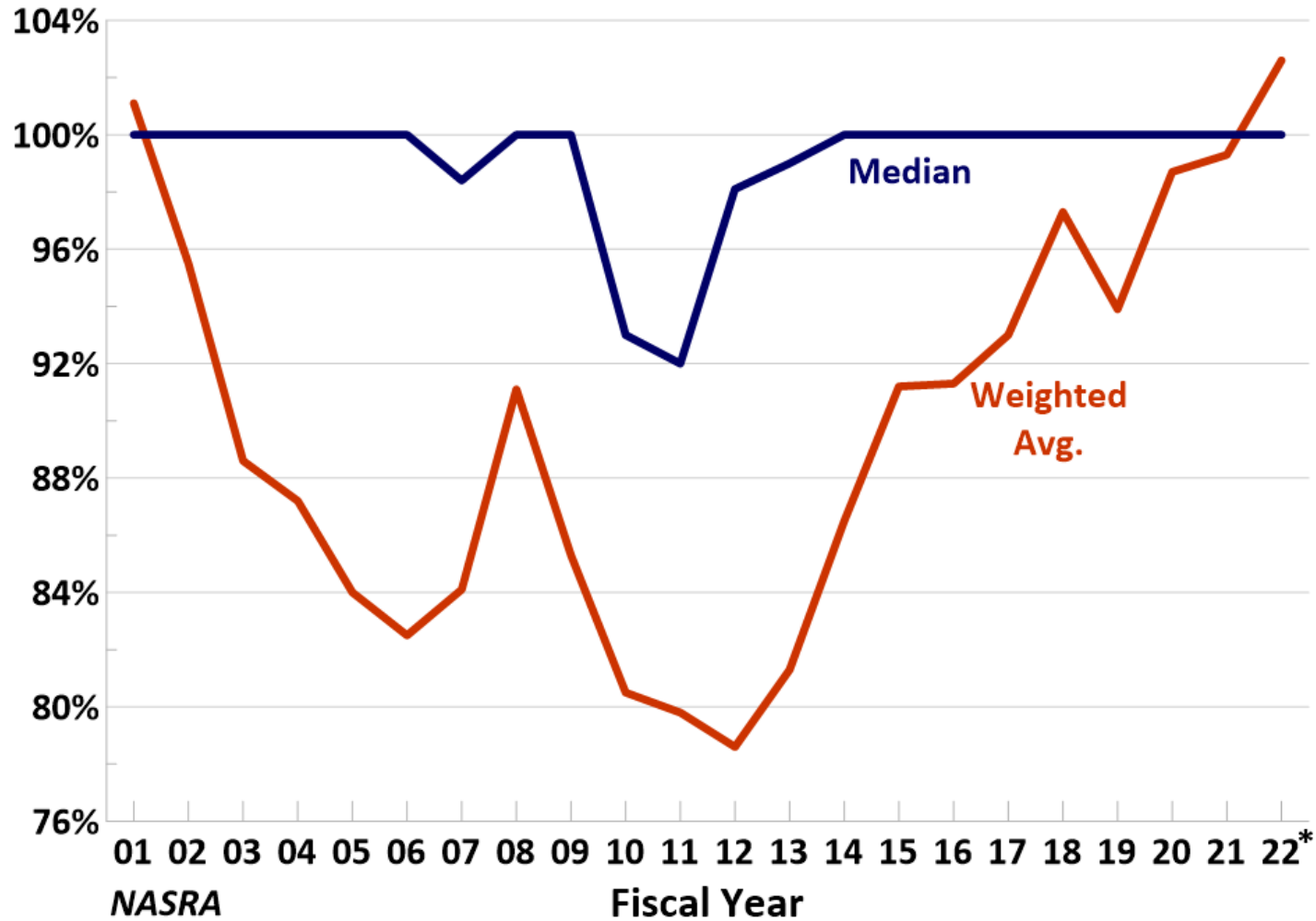


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ARC/ADC Experience, FY 01-FY 22

101 Plans



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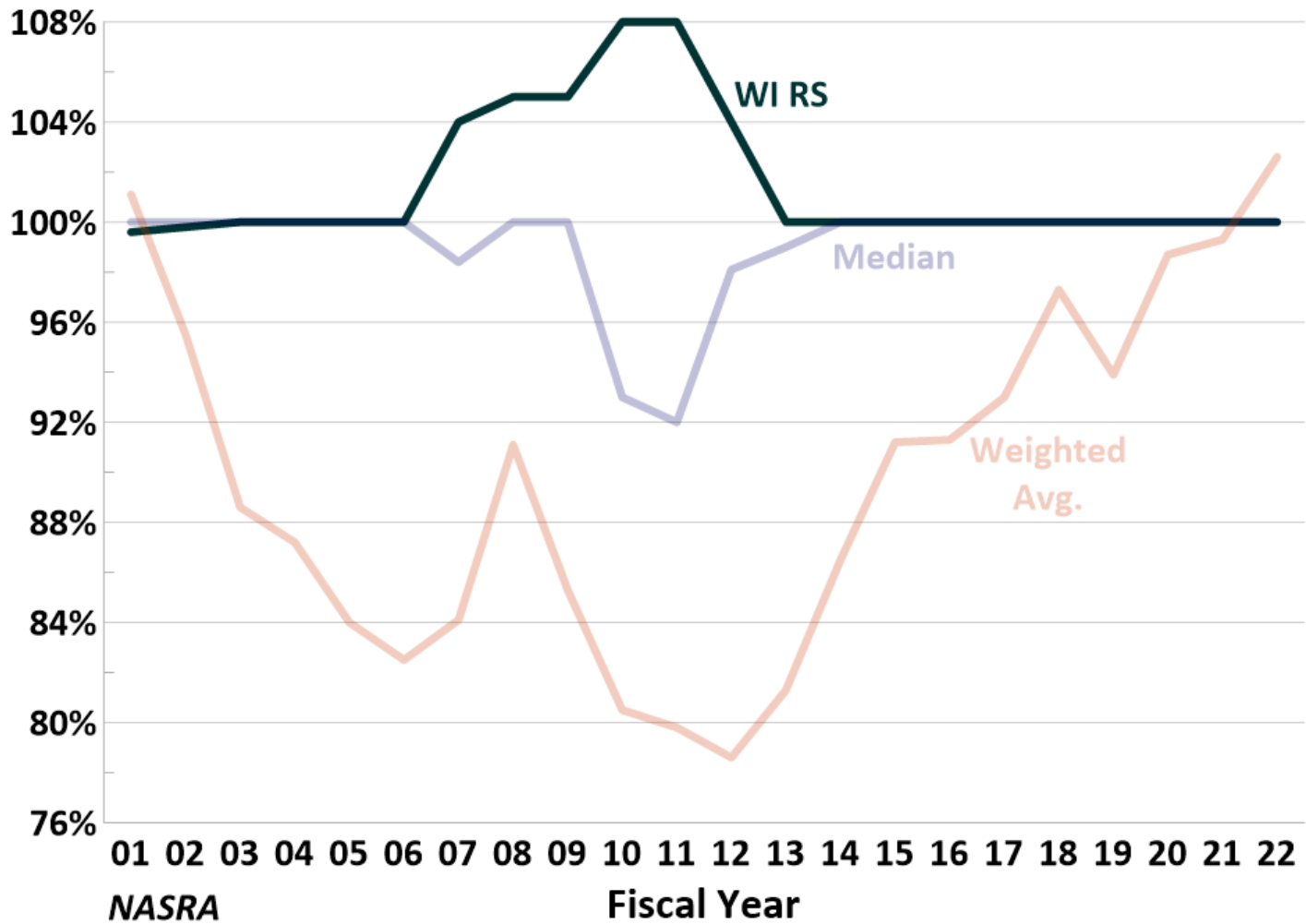
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ARC/ADC Experience, FY 01-FY 22

101 Plans



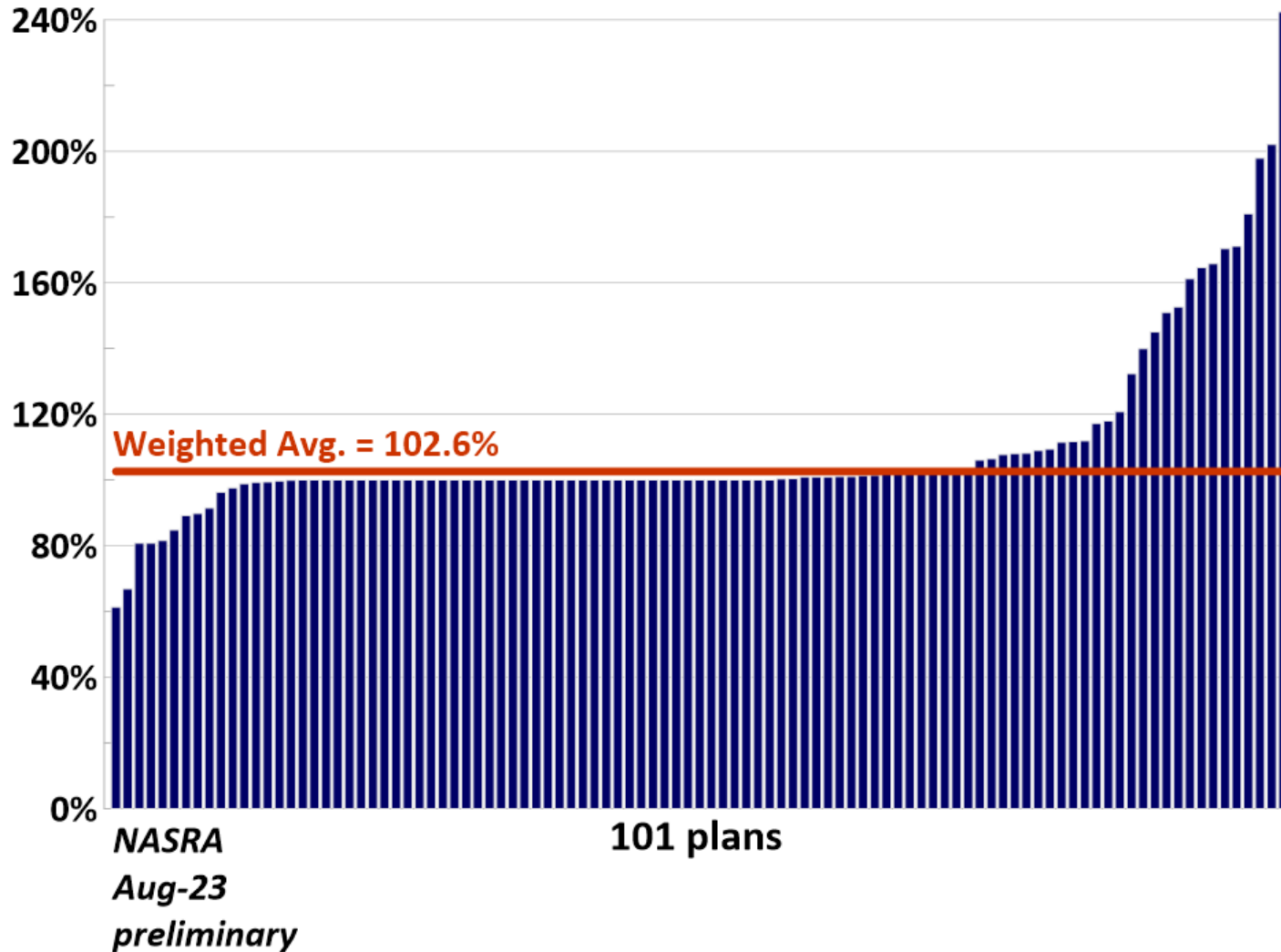
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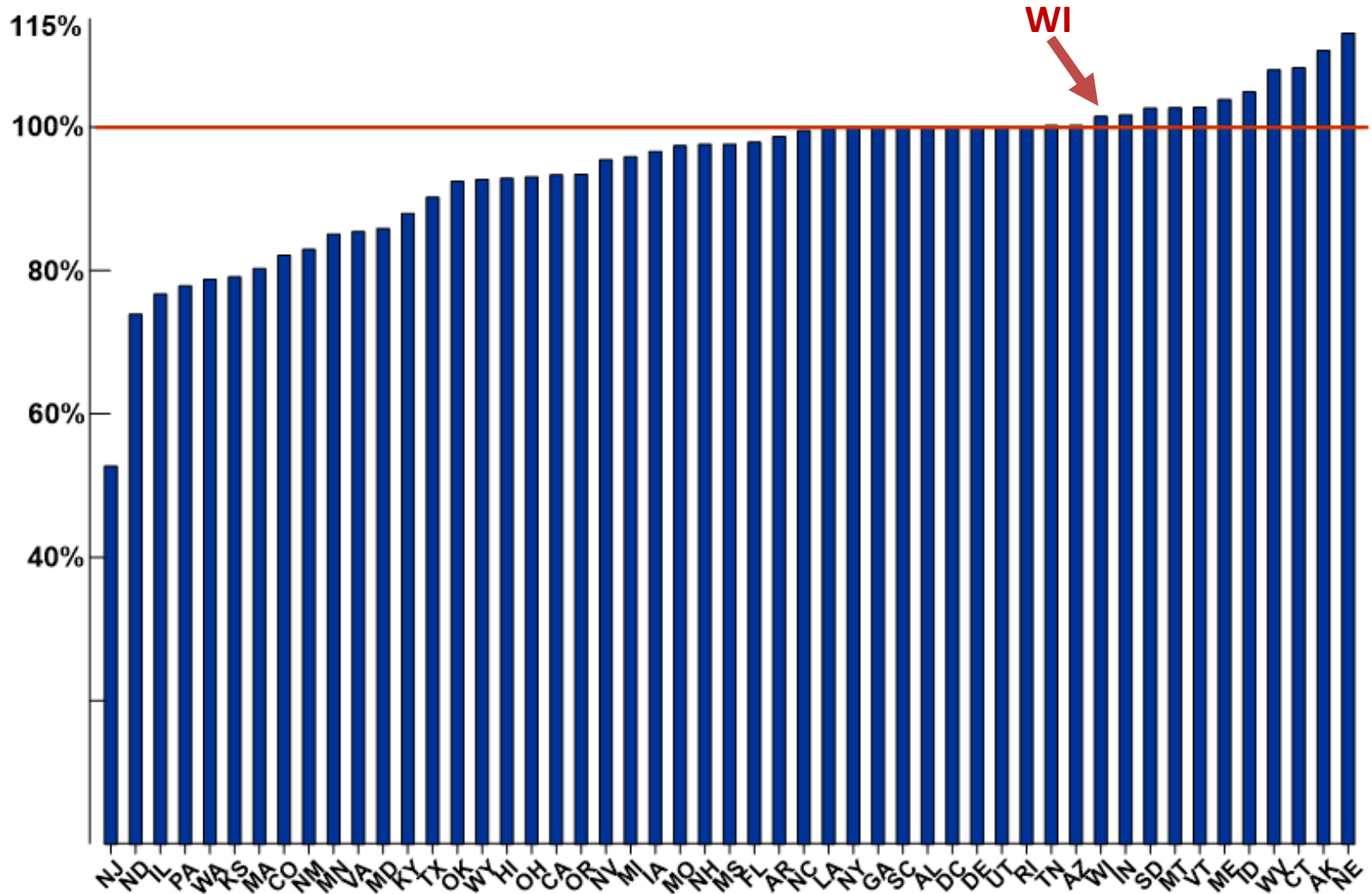
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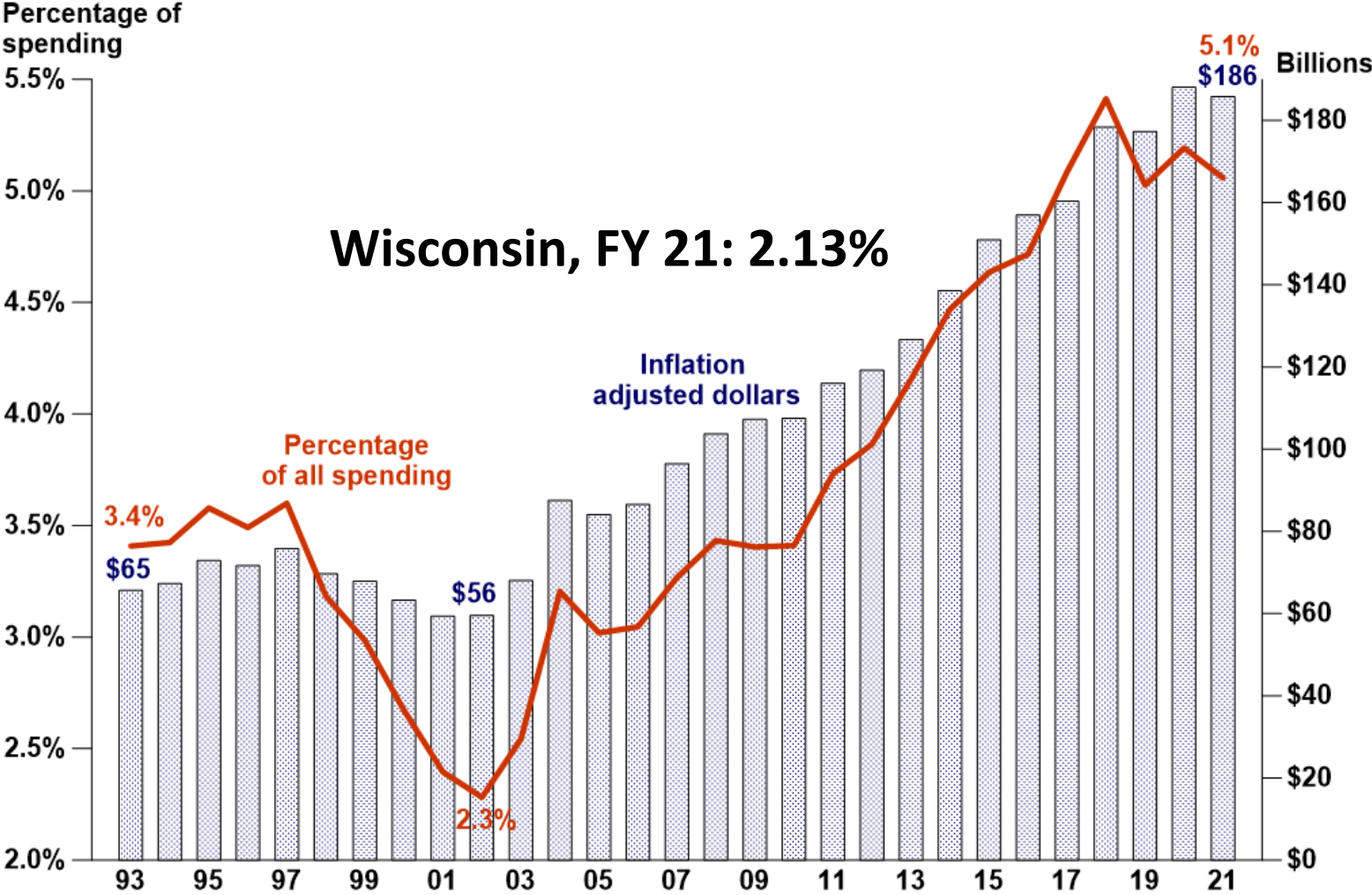
Distribution of ARC/ADC Effort FY 22



Distribution of Weighted Average ARC/ADC Received by State, FY 01 to FY 21



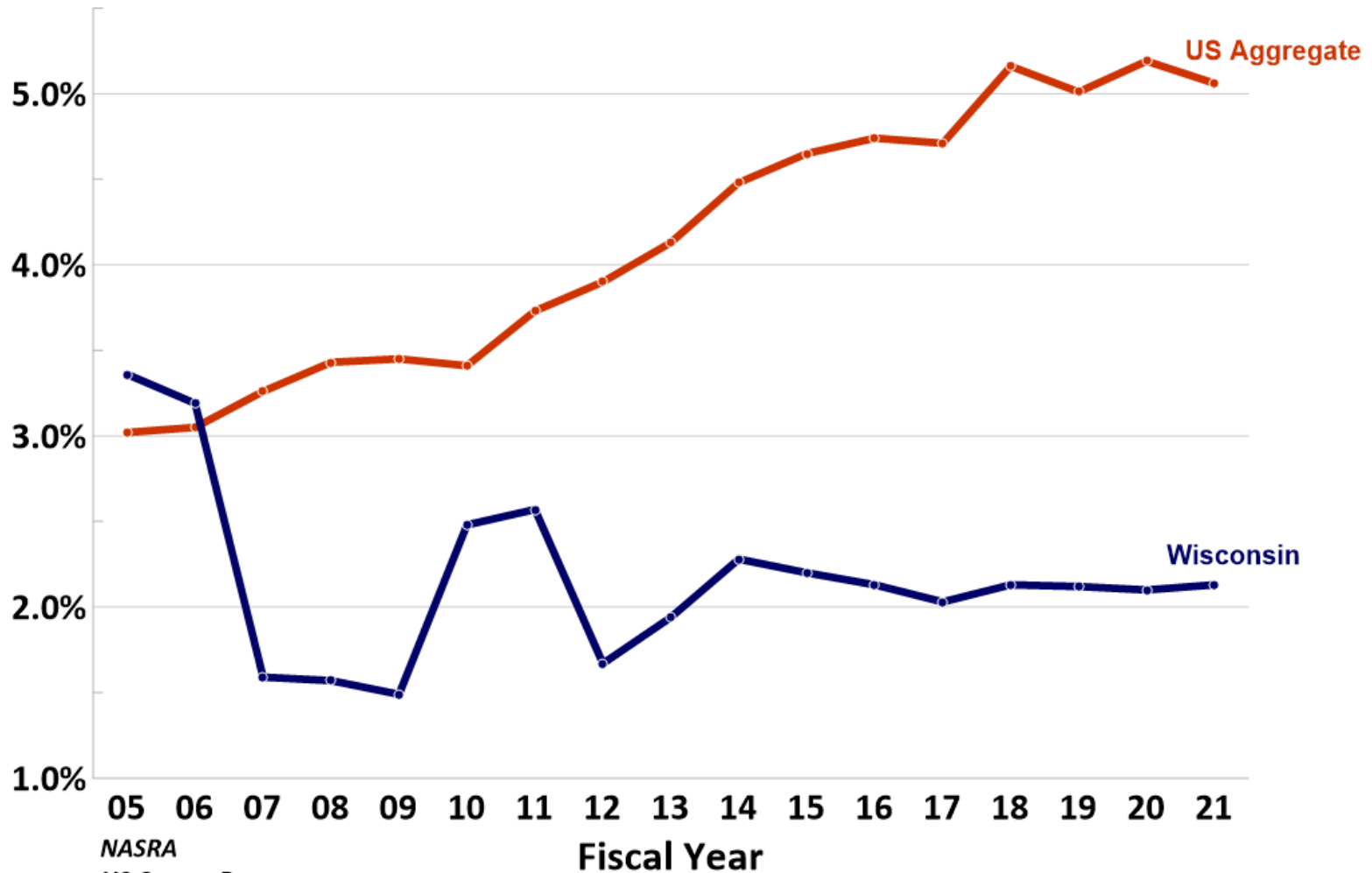
Inflation-adjusted spending on public pensions by states and local governments 1992-2021



U.S. Census Bureau



Spending on Pensions in Wisconsin as a Percentage of Total Spending



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Key Takeaways: Contribution Trends

- More employers are contributing their full actuarially determined contributions
- Some employers are contributing above the ADC
- Sufficient and excess contributions provide a strong tailwind for plans seeking to eliminate their unfunded liabilities more rapidly
- Many plan sponsors face tepid fiscal conditions



Thank you

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