

# Annual Survey of Public Pensions: State- and Locally-Administered Defined Benefit Data Summary Brief: 2016

## Public Sector Briefs

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### OVERVIEW

This report is part of a continuing series designed to provide information on the finances, including that of pension funds, of the United States' nearly 90,000 state and local governments. The U.S. Census Bureau produces data quinquennially as part of the Census of Governments in years ending in "2" and "7." These data provide a wealth of information on state and local government employment and financial activity. The 2016 Annual Survey of Public Pensions provides data on assets, revenues, expenditures, and membership of state and locally administered defined benefit plans.

### PENSION FINANCE SUMMARY

The finances of pension systems are closely tied to prevailing economic conditions. For example, earnings on investment often track with broader market indices such as the S&P 500. This is especially true for earnings on investment, which declined from \$155.5 billion in 2015 to \$49.9 billion in 2016, a decline of 67.9 percent. This decline in earnings on investment was a major contributor to the overall decline in assets as total cash and investment holdings declined 1.6 percent, from \$3,800.4 billion in 2015 to \$3,739.2 billion in 2016, as strong earnings are expected to offset the difference between total payments (\$303.6 billion) and total contributions (\$191.6 billion.)



### MEMBERSHIP SUMMARY

Total membership, which consists of both active membership and inactive membership (primarily former employees entitled to a future pension benefit), increased 1.6 percent from 20.6 million to 20.9 million in 2016. Active membership remained stable at 14.7 million, while inactive membership increased 4.3 percent from 6.0 million to 6.3 million. Active members accounted for 70.0 percent of total membership, while inactive members accounted for the remaining 30.0 percent. Total beneficiaries increased 3.3 percent from 10.0 million to 10.3 million, cresting the 10 million mark for the first time. There was 1.42 active members for every beneficiary in 2016, while it was 1.46 in 2015.

### ASSET SUMMARY

While asset holdings decreased 1.6 percent (from \$3,800.4 billion to \$3,739.2 billion) as a whole, the four categories that make up asset holdings (total cash and short-term investments, total securities, real property, and miscellaneous investments) did not move together in lockstep.

The largest of the asset categories is total securities which comprises 82.9 percent of assets. These securities decreased 2.9 percent from \$3,192.7 billion to \$3,100.2 billion, driving the decline in assets as a whole.

The second largest asset category is miscellaneous investments which comprises another 9.6 percent of asset holdings. Unlike total securities, this category increased 16.0 percent from \$309.2 billion to \$358.6 billion. However, this category was not large enough to offset the decline in total securities.

At 3.9 percent of asset holdings, the next largest category is cash and short-term investments. These assets remained stable at \$145.6 billion.

The smallest of the four asset categories is real property comprising the remaining 3.6 percent of assets. Real property

### DID YOU KNOW?

**MORE THAN  
25.0 MILLION PEOPLE  
WERE AFFILIATED  
WITH A PUBLIC PENSION IN 2016  
AS EITHER A MEMBER  
OR A BENEFICIARY.**

Source: U.S. Census Bureau, 2016 Annual Survey of Public Pensions: State- and Locally-Administered Defined Benefit Data.

decreased 12.6 percent from \$154.2 billion to \$134.8 billion, further increasing the downward trend in assets.

### REVENUE SUMMARY

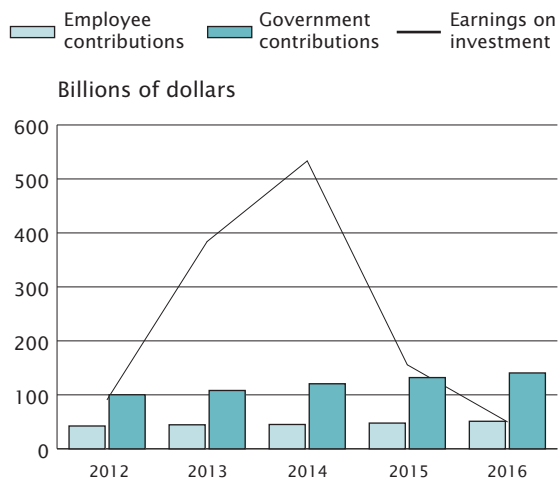
Earnings on investments and contributions are the two components of revenue for pension systems. For 2016, earnings on investments declined 67.9 percent from \$155.5 billion to \$49.9 billion. This led to an overall revenue decline of 28 percent, from \$335.2 billion to \$241.5 billion, despite total contributions increasing 6.6 percent from \$179.7 billion to \$191.6 billion.

Within total contributions, both employee and government contributions saw increases with employee contributions rising 7.1 percent from \$47.7 billion to \$51.0 billion; and government contributions rising 6.5 percent from \$132.0 billion to \$140.6 billion.

For 2016, government contributions accounted for 73.4 percent of contributions and 58.2 percent of total revenue, while employee contributions accounted for 26.6 percent and

Figure 1.

## Total Revenue by Type



Source: U.S. Census Bureau, 2016 Annual Survey of Public Pensions: State- and Locally-Administered Defined Benefit Data.

21.1 percent, respectively. Earnings on investment accounted for the remaining 20.6 percent of total revenue.

### EXPENDITURE SUMMARY

For pension systems, total payments is the only component of expenditure. Total payments themselves consist of benefit payments, withdrawals, and other payments with administrative costs included in other payments. In 2016, total payments increased 5.1 percent from \$289.0 billion to \$303.6 billion. Benefit payments increased 5.4 percent from \$268.5 billion to \$282.9 billion, and other payments increased 3.0 percent from \$14.1 billion to \$14.5 billion. Withdrawals actually decreased 3.0 percent from \$6.3 billion to \$6.1 billion.

For 2016, benefits were 93.2 percent of total payments, while withdrawals and other payments accounted for 2.0 percent and 4.8 percent, respectively.

### DID YOU KNOW?

**LESS THAN  
5 PERCENT OF  
TOTAL PAYMENTS  
GO TOWARDS OTHER  
PAYMENTS, WHICH ARE  
PRIMARILY COMPRISED OF  
ADMINISTRATIVE COSTS.**

Source: U.S. Census Bureau, 2016 Annual Survey of Public Pensions: State- and Locally-Administered Defined Benefit Data.

### DID YOU KNOW?

**MORE THAN  
80 PERCENT OF TOTAL ASSETS  
HAVE BEEN HELD IN SECURITIES  
EVERY YEAR SINCE 2012.**

Source: U.S. Census Bureau, 2016 Annual Survey of Public Pensions: State- and Locally-Administered Defined Benefit Data.

### DATA, NONSAMPLING ERROR, AND RESPONSE RATE

**Data**—The 2016 Annual Survey of Public Pensions is a census of all 299 state-administered public-employee pension funds and a sample of 1,776 out of 5,977 locally administered public-employee pension systems. The data collected from these systems are for defined benefit plans only and do not include data for defined contribution plans or other postemployment benefit plans. Data in this report refer to fiscal years that ended between July 1, 2015, and June 30, 2016 (FY2016), and do not reflect data for the entire calendar year of 2016.<sup>1</sup>

**Nonsampling Error**—Because all 299 state government pension funds are included, these data are not subject to sampling error or any sampling variability. Because the data from local retirement systems in this summary report are from a sample rather than a survey of all systems, these data are subject to sampling error. A measure of this sampling error is the coefficient of variation, which is an expression of the sampling variability as a percentage of the estimates. These data are available in the tables of the estimates. With the variability, estimates should be expressed as ranges.

Although every effort is made in all phases of collection, processing, and tabulation to minimize errors, the survey is subject to nonsampling error, such as the inability to obtain data for every variable for all units, inaccuracies in classification, mistakes in keying and coding, and coverage errors.

**Data Quality**—The overall unit response rate for the 2016 Annual Survey of Government finances was 76.1 percent. The total quantity response rate was 97.3 percent. While 6,276 pension systems exist in our universe, the asset holdings and financial activity of the largest systems account for a disproportionate amount.

<sup>1</sup> There are exceptions to the fiscal year rule for the state pension systems in Alabama, Michigan, and Texas. For systems in these states, the fiscal year moves beyond the June 30 cutoff. The data for survey year 2016 covers the fiscal year ending August 31, 2016, for Texas and September 30, 2016, for Alabama and Michigan. Throughout this report, all references to years (e.g., 2015 or 2016) refer to fiscal years.