



# Metropolitan Government of Nashville and Davidson County

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**Study and Formulating Committee**

Benefit Benchmarking Data

September 11, 2020

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# Purpose

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- **Brief Summary of Retirement Plan Types**
- **Review of Benchmarking Data**
  - Employee access rates by plan type
  - Access rates by public/private
  - Access rates by other key employment factors
  - Alternatives to pension plans
- **Funded Status of Public Pension Plans**



# Types of Retirement Plans

	Defined Benefit Plan	Defined Contribution Plan	Comments on Metro Plans
Plan Summary	Monthly benefit is paid for life after retirement. Benefit is based on the employee's service length and compensation history.	Contributions are accumulated in an account with investment earnings. The account is generally paid as a single sum or installments as determined by the employee.	
Who Contributes?	Often both, although employer only is common	Often both, employee only is very common. Employee contributions are pre-tax.	Metro pays the full cost of the Pension Plan. MetroMax plan is employee contributions only
Who manages the investments?	The plan sponsor	Most often, the employee alone	Metro pension assets are professionally managed/Employees select their investment in the MetroMax plan
Who bears the investment risk?	Generally, the plan sponsor alone	Generally, the employee alone	Metro bears the full investment risk of the pension assets
Are benefits indexed after retirement?	Generally, yes.	No.	Metro's pension has a cost of living adjustment (COLA) related to inflation
Do all similar employees benefit equally?	Yes.	No. The benefit is largely determined by how much an employee contributes and how well (or poorly) the investments perform.	
Are disability benefit provided?	Generally, yes.	No.	Metro's Pension Plan provides for both medical and in-line of duty disability benefits.



# Benchmarking Data

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- The following slides are based on data compiled by the Bureau of Labor Statistics from their March, 2019 National Compensation Survey
- Includes data for both public and private entities but excludes the following
  - Agriculture establishments
  - Private households
  - Self-employed
  - Federal government workers
- Data can be found at the following location-  
<https://www.bls.gov/ncs/ebs/benefits/>



# Percentage of Workers with Access to Plan by Type

		Private Industry (120MM Workers)	State and Local Government (19 MM Workers)	All Civilian Workers (139 MM Workers)
All Workers	Defined Benefit	16%	86%	26%
	Defined Contribution	64%	37%	60%
	Either Type	67%	91%	71%
Full Time Workers	Defined Benefit	19%	94%	31%
	Defined Contribution	73%	41%	68%
	Either	77%	99%	80%



# Status of Defined Benefit Plans – Private Industry

		Open to New Participants	Closed to New Participants (Soft Frozen)	Hard Frozen (no one earning new benefits)
All Workers	Defined Benefit	62%	24%	14%
Full Time Workers	Defined Benefit	61%	24%	15%



# Status of Defined Benefit Plans – State and Local Governments

		Open to New Participants	Closed to New Participants (Soft Frozen)	Hard Frozen (no one earning new benefits)
All Workers	Defined Benefit	44%	56%	0%
Full Time Workers	Defined Benefit	44%	56%	0%



# Alternatives to Defined Benefit Plans

	No Plan	Modify Existing Defined Benefit Plans	New Defined Benefit Plan	New Defined Contribution	Modify Existing Defined Contribution
Private Industry	8%	12%	20%	33%	37%
State and Local Governments	0%	93%	5%	17%	0%





# Hybrid Plans

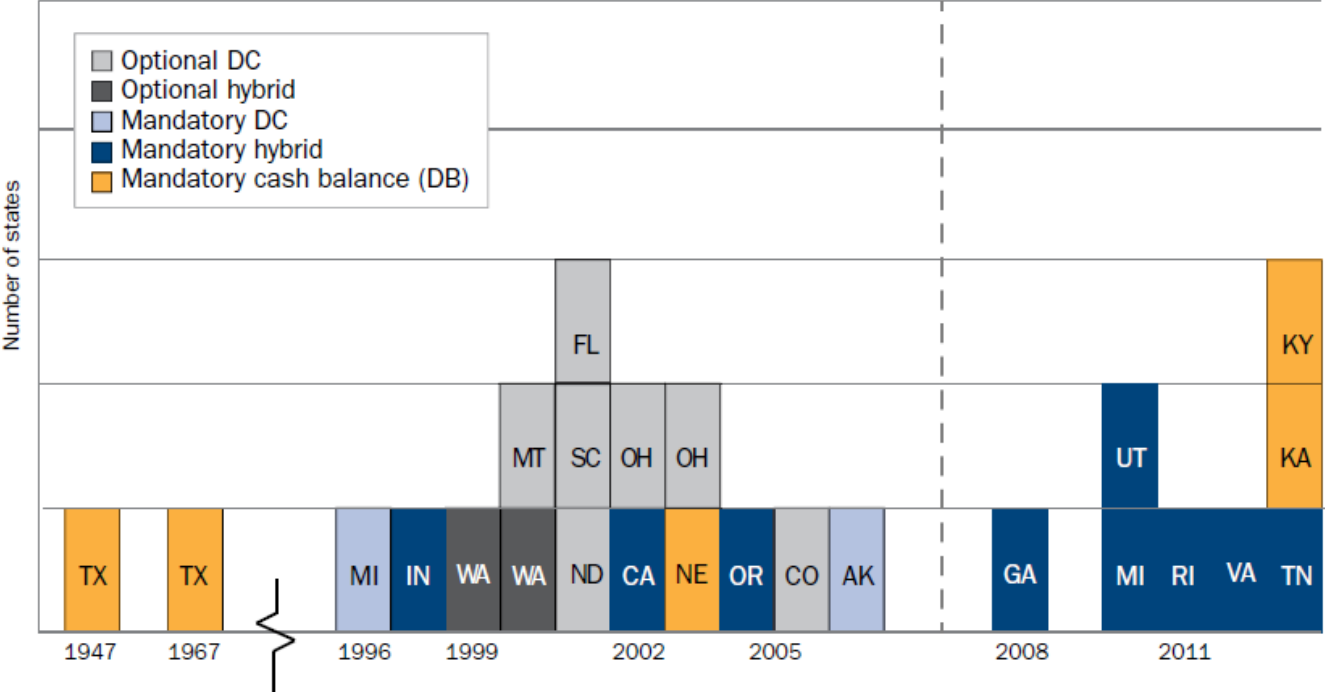
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- Over the last 10-15 years, there has been increased interest in hybrid plans in the public sector
- Hybrid plans have elements of both defined benefit and defined contribution plans
  - Benefit may be paid as an annuity or lump sum/installments
  - Risk sharing with regard to investment risk
- General goals of a hybrid plan
  - Reduce cost
  - Reduce investment risk for the plan sponsor
  - Reduce contribution risk and volatility for the plan sponsor



# Hybrid Plans

Figure 1. Introduction of State Defined Contribution Plans, by Year, 1947-2013<sup>4</sup>



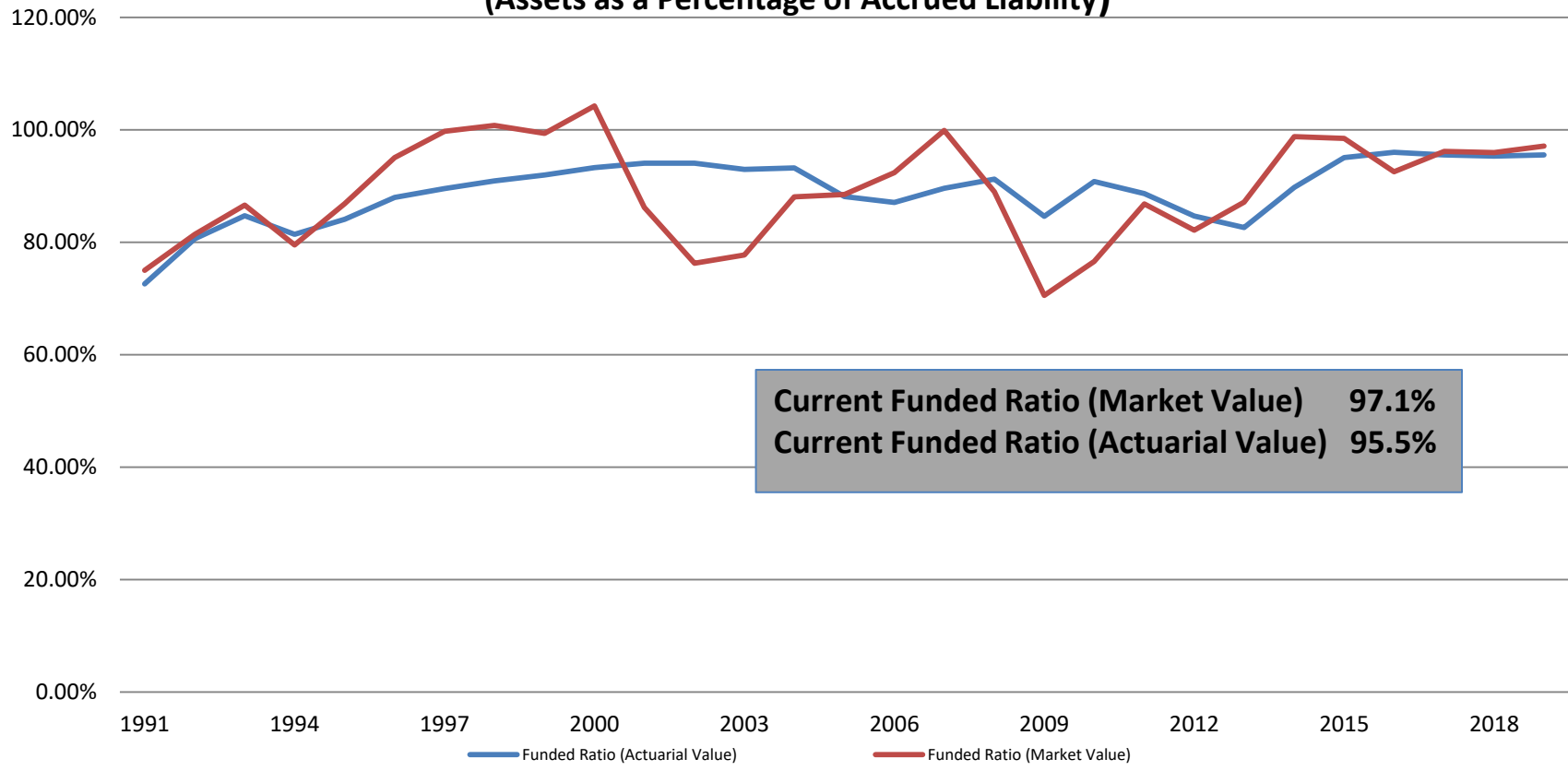
Sources: Actuarial reports; state websites; National Association of State Retirement Administrators (2013); and Munnell (2012).



# Metro Plan - Funded Status

## Funded Ratio of the Plan

(Assets as a Percentage of Accrued Liability)





# Funded Status – Recent History

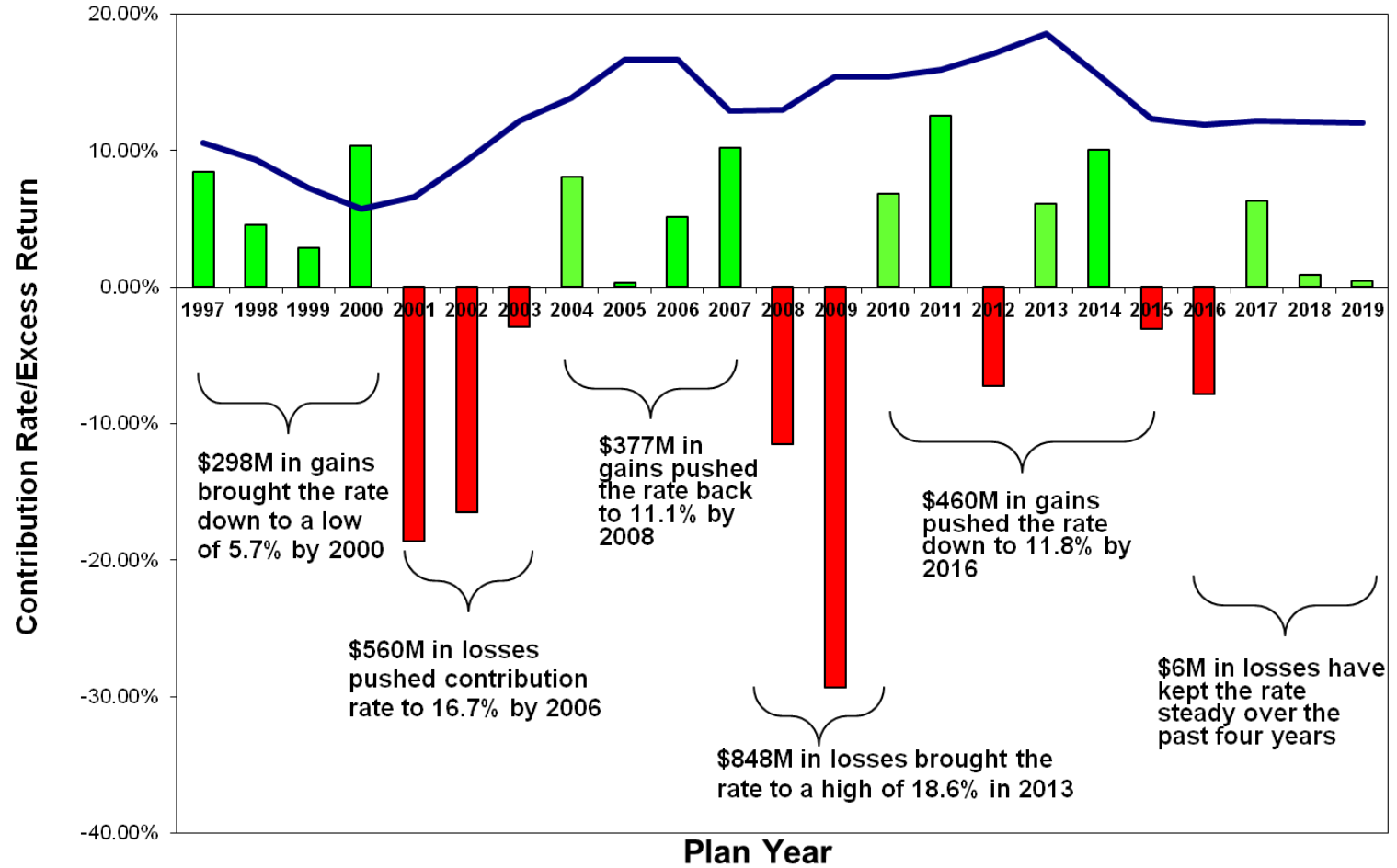
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	<u>Funded Ratio (Actuarial Value)</u>	<u>Funded Ratio (Market Value)</u>
July 1, 2019	95.5%	97.1%
July 1, 2018	95.3%	95.9%
July 1, 2017	95.5%	96.1%
July 1, 2016	96.0%	92.5%
July 1, 2019 (CAFR*)	NA	96.4%

\*Comprehensive Annual Financial Report

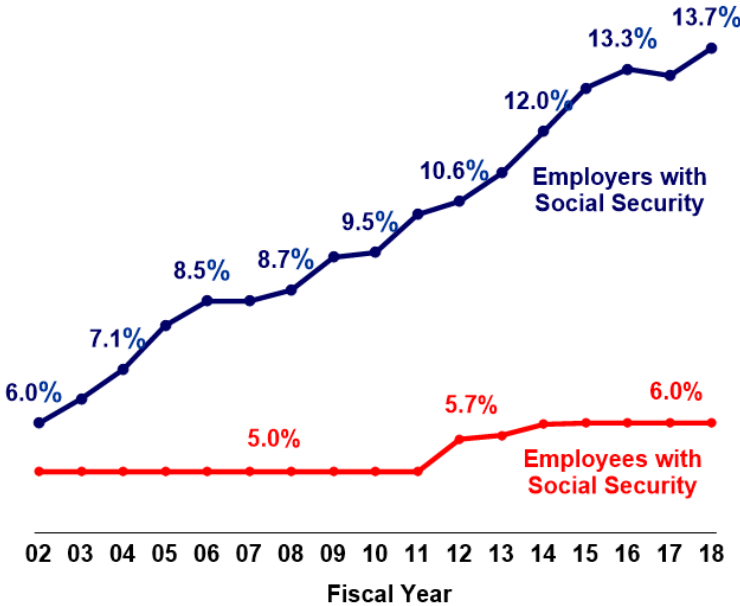


# Metro Pension Plan - Surplus/Shortfall Return and the Contribution Rate

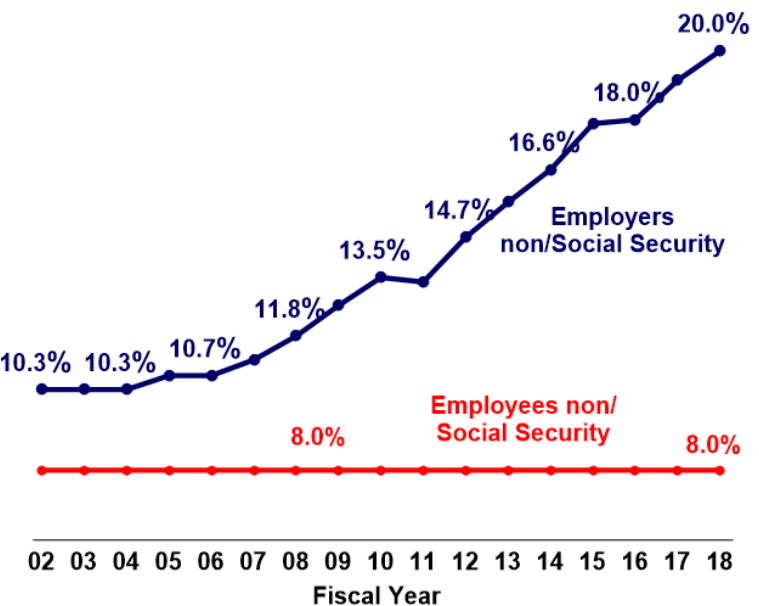




# Funding of Public Plans\*



Public Fund Survey  
Dec-19

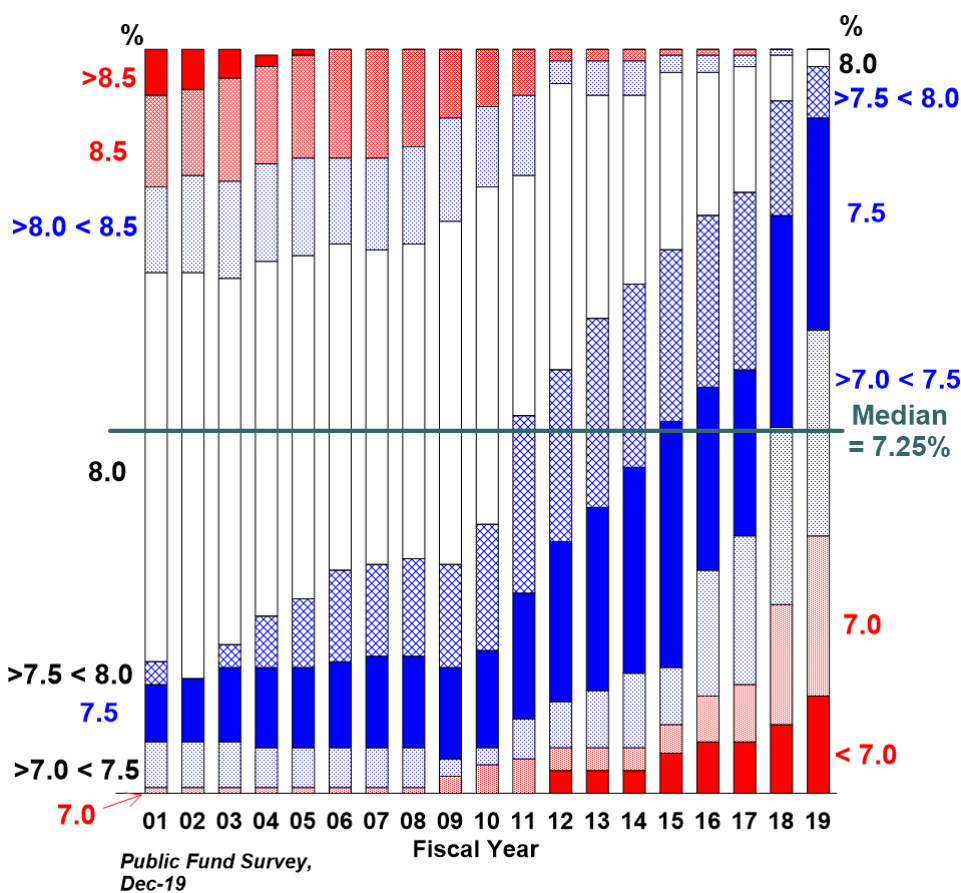


Public Fund Survey  
Dec-19

\*National Association of State Retirement Administrators (December 2019 Survey)



# Discount Rate Assumption\*



\*National Association of State Retirement Administrators (December 2019 Survey)



# Questions/Discussion

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