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**Retirement Security**

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# State and Local Employee Views on Their Jobs, Pay and Benefits

By Tyler Bond and Kelly Kenneally

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## ABOUT THE AUTHORS

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## EXECUTIVE SUMMARY

According to the U.S. Census Bureau, state and local governments across the U.S. employed more than 19 million workers in 2015. More than half (58 percent) of these public employees work in education, while 13 percent work in public safety, 12 percent work in health and safety, and another 17 percent work in additional fields.<sup>1</sup>

One of the key challenges before state and local government employers is the ability to compete when it comes to recruiting and retaining employees to perform crucial job functions that serve the public. There are many issues contributing to this public workforce challenge.

In recent years, state and local governments report that they continue to face steep challenges filling a wide array of positions, with policing, engineering, information technology, and emergency dispatch as the positions that are hardest to fill. And the challenge of maintaining a strong state and local workforce is not expected to ease. Public workforce needs are predicted to increase, with a projected growth of 3.8 percent among state employees and 7.4 percent among local employees from 2016 to 2026.<sup>2</sup>

A tool that both public and private sector employers utilize to attract and retain workers is their benefits package. Most state and local government employees are offered healthcare and retirement benefits. In 2019, retirement benefits were available to 91 percent of state and local government workers, including defined benefit (DB) and defined contribution (DC) plans, and some 89 percent have access to medical care benefits.<sup>3</sup> These benefits can be appealing for those seeking a career in state or local government and could position employers to be more competitive as compared to salaries in the private sector. But state and local government employers are not necessarily improving health and retirement benefits to address public sector workforce challenges. Instead, many jurisdictions have changed their health or retirement plans, shifting more risks and/or costs to employees.<sup>4</sup>

Against this backdrop, the National Institute on Retirement Security commissioned a national public opinion survey to develop a deep understanding of state and local public employee sentiment regarding their job, pay and benefits. This

report also analyzes the sentiment across three key professions in state and local government—teachers, law enforcement and firefighters, and also examines the views of Millennials working in the public sector. This research is intended to serve as a tool for policymakers and other stakeholders as they grapple with decisions about a public workforce that delivers important services to taxpayers, particularly at a time when the labor market is tight and there are growing expectations and demands on the public workforce.

The key findings of this opinion research are as follows:

1. State and local employees place a high value on serving the public and their community, and are generally satisfied with their job despite high stress.
2. Benefits are among the most important job features for state and local employees.
3. State and local employees have mixed views on the competitiveness of their salary and compensation, but the vast majority agree they could earn a higher salary in the private sector, and a pension factors into the competitiveness of their compensation.
4. Benefits are viewed as a powerful recruitment and retention tool across state and local government professions.
5. State and local government employees overwhelmingly have favorable views of pensions, with lasting retirement income and monthly checks the most important features.
6. Most public workers feel they will be financially secure in retirement, but the vast majority of state and local employees are highly concerned about cuts to retirement benefits and government officials underfunding of pension plans.
7. Cutting state and local employee benefits could drive them out of the public workforce.
8. State and local employees say that eliminating pensions has risks.
9. Millennials working in state and local government generally share the views of Baby Boomers and GenXers on their job, serving the public, pay, and benefits.

## INTRODUCTION

According to the U.S. Census Bureau, state and local governments across the U.S. employed more than 19 million workers in 2015. More than half (58 percent) of these public employees work in education, while 13 percent work in public safety, 12 percent work in health and safety, and another 17 percent work in additional fields.<sup>5</sup>

One of the key challenges before state and local government employers is the ability to compete when it comes to recruiting and retaining employees to perform crucial job functions that serve the public. There are many issues contributing to this public workforce challenge. Following the U.S. economic downturn more than ten years ago that resulted in workforce reductions, employment levels in the public sector have never fully recovered.<sup>6</sup> Also, unemployment is at its lowest level in some fifty years, making it more difficult to fill open public sector positions.<sup>7</sup> Another factor is that salaries in the public sector typically are lower than those in the private sector for employees with comparable education and experience, thereby making competing for talent more difficult.<sup>8</sup> In fact, only about half of state and local employers recently reported that they have competitive pay.<sup>9</sup> And finally, public sector retirements are increasing, further depleting the public workforce.<sup>10</sup>

In recent years, state and local governments report that they continue to face steep challenges filling a wide array of positions, with policing, engineering, information technology, and emergency dispatch as the positions that are hardest to fill. And the state and local workforce outlook is not expected to improve. Public workforce needs are expected to increase, with a projected growth of 3.8 percent among state employees and 7.4 percent among local employees from 2016 to 2026.<sup>11</sup> Further complicating the public workforce challenge is an increase of employee strikes to protest salaries and changes in benefits. In 2019, for example, public school teachers went on strike in states including California, Colorado, Illinois, North Carolina, New Jersey, Ohio, Oregon, South Carolina, Washington and West Virginia.<sup>12</sup>

A tool that both public and private sector employers utilize to attract and retain workers is their benefits package. In recent years, amid low unemployment, many employers have been

modifying their benefits as a strategy to hire and keep workers. For example, a 2016 report found that nearly one-fifth of human resources professionals altered their benefits program to aid in the retention of employees during a 12 month period. Of these organizations, about three-fifths altered their health care benefits and more than one-third altered their retirement benefits. And when it comes to recruitment, 12 percent of human resources staff indicated their organizations altered benefit programs to aid in the recruitment of employees at all levels of the organization during a 12 month period. Of these organizations, 65 percent of human resources professionals indicated their organizations altered their healthcare benefits to aid in the recruitment of employees while 41 percent modified their retirement benefits.<sup>13</sup>

Most state and local government employees are offered healthcare and retirement benefits. In 2019, retirement benefits were available to 91 percent of state and local government employees, including defined benefit (DB) and defined contribution (DC) plans, and some 89 percent have access to medical care benefits.<sup>14</sup> These benefits can be appealing for those seeking a career in state or local government and an area where these employers may be more competitive as compared to salaries in the private sector. But state and local government employers are not necessarily improving healthcare and retirement benefits to address public sector workforce challenges. Instead, many jurisdictions have changed their health or retirement plans, shifting more costs to employees.<sup>15</sup>

Specific to state and local pensions, changes to the plans and their financing have been significant following the Great Recession. Since 2009, nearly all states have enacted pension reform to their pension plans.<sup>16</sup> The changes have included pension cuts such as reducing benefit multipliers, increasing the retirement age, reducing cost-of-living adjustments, or increasing the employee contribution rate. In addition, many changes have been adopted with the intent of shifting or sharing financial risk. A recent analysis indicates “that these pension cuts hurt governments’ ability to recruit workers when competing with the private sector.”<sup>17</sup> Research also indicates pension cuts impact employee retention, finding that “pension



cuts for current employees induce affected workers to leave for the private sector.”<sup>18</sup>

Against this backdrop, the National Institute on Retirement Security commissioned a national public opinion survey to develop a deep understanding of state and local public employee sentiment regarding their job, pay and benefits. This report also analyzes the sentiment across three professions in state and local government—teachers, law enforcement and firefighters, and also examines the views of Millennials working in the public sector. This research is intended to serve as a tool for policymakers and other stakeholders as they grapple with decisions about a public workforce that delivers important services to taxpayers, particularly at a time when the labor market is tight and there are growing expectations and demands on the public workforce.

Conducted by Greenwald & Associates, information for this study was collected from online interviews between August 22 through September 12, 2019, of public sector employees aged 18 and older. All employees surveyed were required to be currently participating in a pension plan at their job.

The key findings of this research are as follows:

1. **State and local employees place a high value on serving the public and their community, and are generally satisfied with their job despite high stress.** The vast majority (89 percent) of state and local employees are satisfied with the ability to serve the public aspect of their job. Some 85 percent are satisfied with their jobs, while 71 percent say their jobs are stressful.
2. **Benefits are among the most important job features for state and local employees.** Health insurance is very important to 78 percent of state and local employees, and retirement benefits are very important to 73 percent. Salary is less important, at 71 percent.
3. **State and local employees have mixed views on the competitiveness of their salary and compensation, but the vast majority agree they could earn a higher salary in the private sector, and a pension factors into the competitiveness of their compensation.** Only 22 percent of state and local employees say their salaries are very competitive, and 80 percent say they could earn a higher salary in the private sector. Some 27 percent say their total

compensation is very competitive, but fewer say it would be competitive if their compensation lacked a pension (19 percent).

4. **Benefits are viewed as a powerful recruitment and retention tool across state and local government professions.** Nearly all state and local workers (93 percent) say pensions incentivize public workers to have long public service careers, while 94 percent say offering a pension is a good tool for attracting and retaining employees. The vast majority of state and local employees (89 percent) say they plan to stay with their current employer until they are eligible for retirement or can no longer work.
5. **State and local government employees overwhelmingly have favorable views of pensions, with lasting retirement income and monthly checks the most important features.** Some 94 percent of state and local employees have favorable views of defined benefit pensions. Regarding the features of pensions, 99 percent of these employees say that receiving a monthly check is important and 98 percent say providing retirement income that lasts is important. Meanwhile, 80 percent say a pension is better than a 401(k) for maintaining their standard of living in retirement.
6. **Most public workers feel they will be financially secure in retirement, but the vast majority of state and local employees are highly concerned about cuts to retirement benefits & government officials underfunding of pension plans.** Nearly three-fourths (72 percent) of state and local employees are confident they will be financially secure in retirement. But, 86 percent are concerned about cuts to their retirement benefits while 85 percent are concerned about government officials underfunding their pension.
7. **Cutting state and local employee benefits could drive them out of the public workforce.** More than half of state and local employees (58 percent) say that switching them out of a pension into an individual retirement plan, like a 401(k)-style plan, would make them more likely to leave their job. Some 73 percent say they would be more likely to leave their job if their pension were cut, and 79 percent say they would be more likely to leave their job if their healthcare benefits were cut.

8. **State and local employees say that eliminating pensions has risks.** Nearly all (92 percent) state and local employees say eliminating pensions for the public workforce will weaken governments' ability to attract and retain qualified workers to deliver public services. The vast majority (83 percent) say eliminating pensions would weaken public safety. Similarly, 87 percent say eliminating pensions would weaken the U.S. education system.
9. **Millennials working in state and local government generally share the views of Baby Boomers and GenXers on their job, serving the public, pay and benefits.** Some 84 percent of Millennials working in state and local government are satisfied with their current job, while 90 percent say they are committed to serving the public. Most (80 percent) Millennial state and local employees say they could earn a higher salary in the private sector. Nearly three-fourths (74 percent) of Millennial state and local employees say a pension benefit is a major reason they chose a public sector job, while 85 percent say they plan to stay with their current employer until they are eligible for retirement or can no longer work.

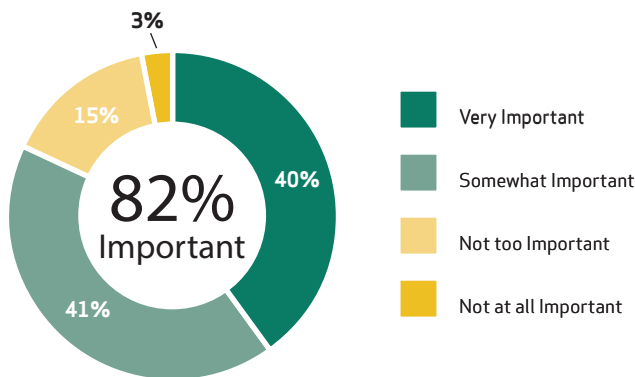
# I. STATE AND LOCAL EMPLOYEES PLACE A HIGH VALUE ON SERVING THE PUBLIC AND THEIR COMMUNITY, AND ARE GENERALLY SATISFIED WITH THEIR JOB DESPITE HIGH STRESS.

More than 19 million state and local workers delivered important services in 2015, with more than three-fourths working in education, public safety and health, and health and welfare, according to the U.S. Census Bureau.<sup>19</sup> Among a

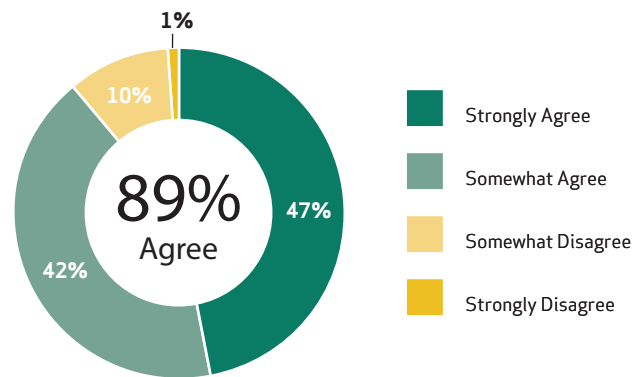
sample of these workers, 82 percent say the ability to serve the public/their community is an important job feature (Figure 1). Also, 89 percent indicate they are satisfied with the ability to serve the public aspect of their job (Figure 2).

**Figure 1: 82% of state and local employees say the ability to serve the public/their community is an important job feature.**

When making job decisions, how important are the following job features to you? Ability to serve public/my community.

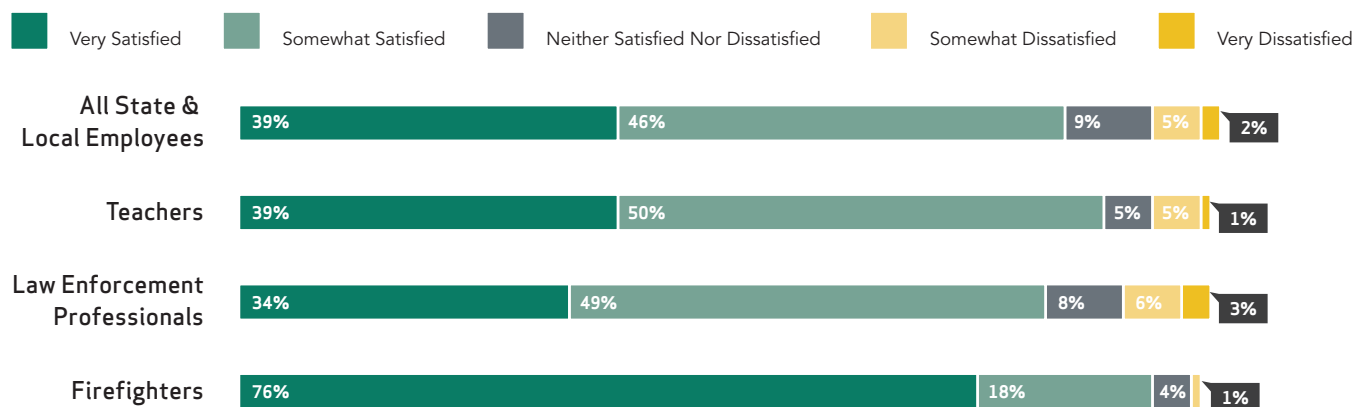


**Figure 2: 89% of state and local employees are satisfied with the ability to serve the public aspect of their job.**



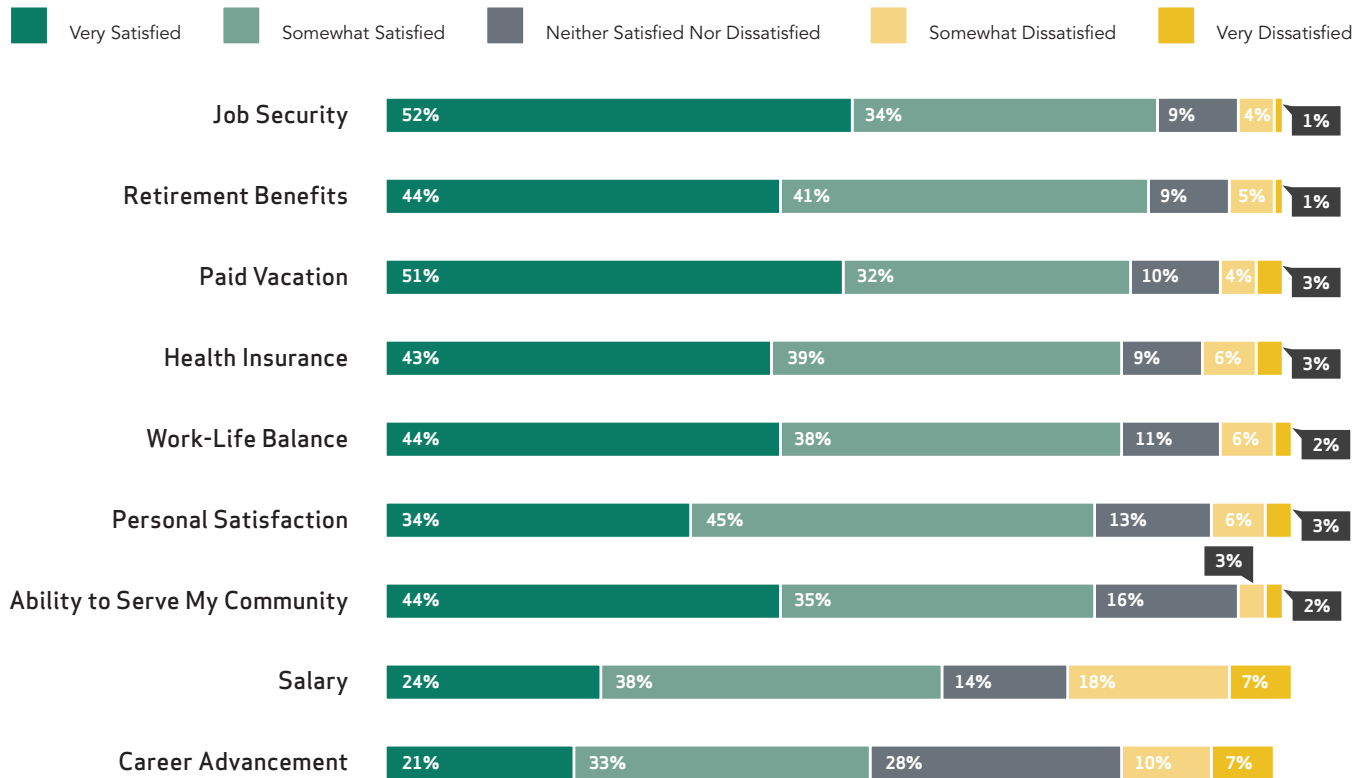
**Figure 3: State and local employees are generally satisfied with their current job, with firefighters the most satisfied.**

Overall, how satisfied are you with your current job?



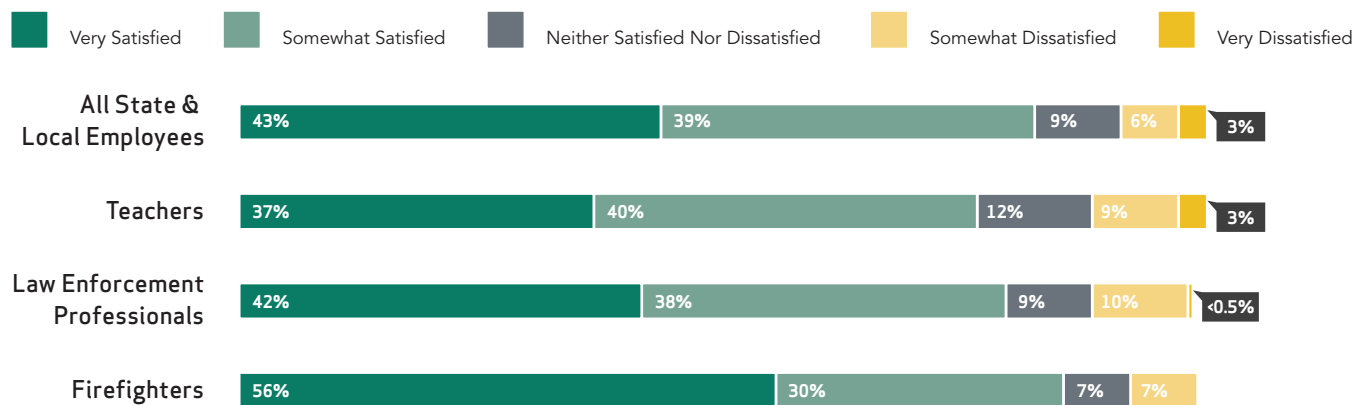
## Figure 4: State and local employees are most satisfied with their job security and retirement benefits.

How satisfied are you with the following aspects of your current job?



## Figure 5: Across professions, state and local employees are overwhelmingly satisfied with their health insurance.

How satisfied are you with the following aspect of your current job: health insurance.





Among a sample of these 19 million workers, the vast majority are satisfied with their job (85 percent). In looking at comparisons across professions, firefighters are the most satisfied with 93 percent satisfied (Figure 3). When taking a deeper look at the specific job features that provide job satisfaction, job security ranks highest at 86 percent, followed closely by retirement benefits (85 percent), paid vacation (83 percent) and health insurance (82 percent) (Figure 4). And when comparing job feature satisfaction across key professions, there is a high level of satisfaction with health and retirement benefits (Figures 5 and 6).

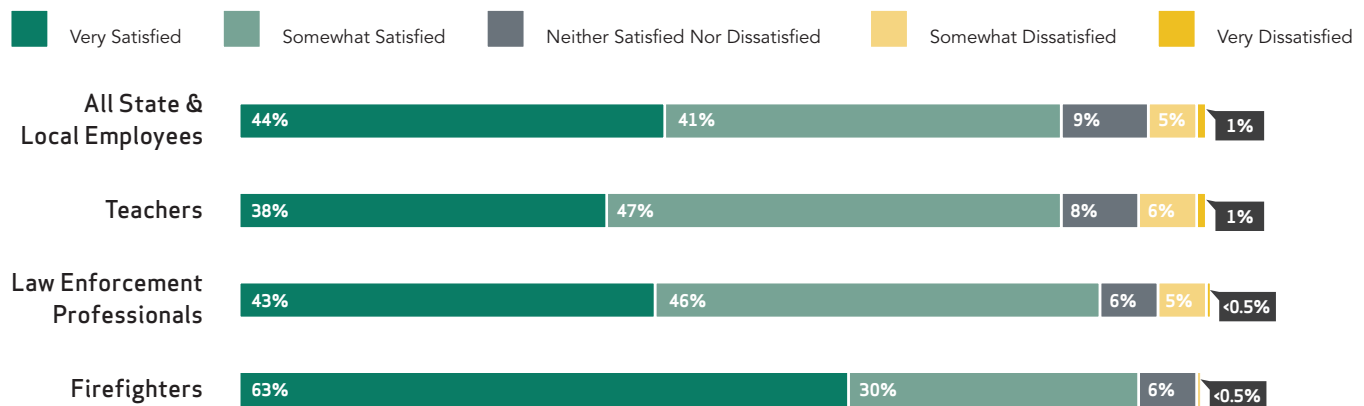
While there is high satisfaction with their health and retirement benefits, there is less satisfaction among state and

local employees with their salary. Fewer than half (44 percent) of all state and local employees are very satisfied with their salary. Firefighters seem to be the most satisfied with their salary, with 46 percent very satisfied (Figure 7).

Interestingly, Gallup research exploring views of the broader U.S. workforce about their jobs (not just public employees, that is) found the largest sources of job disappointment are in pay and benefits, factors that are rated important but for which satisfaction ratings are especially low. In the Gallup research, it appears in the broader workforce a little more than half are satisfied with their current pay (54 percent), while 23 percent say their benefits have improved over the past five years.<sup>20</sup>

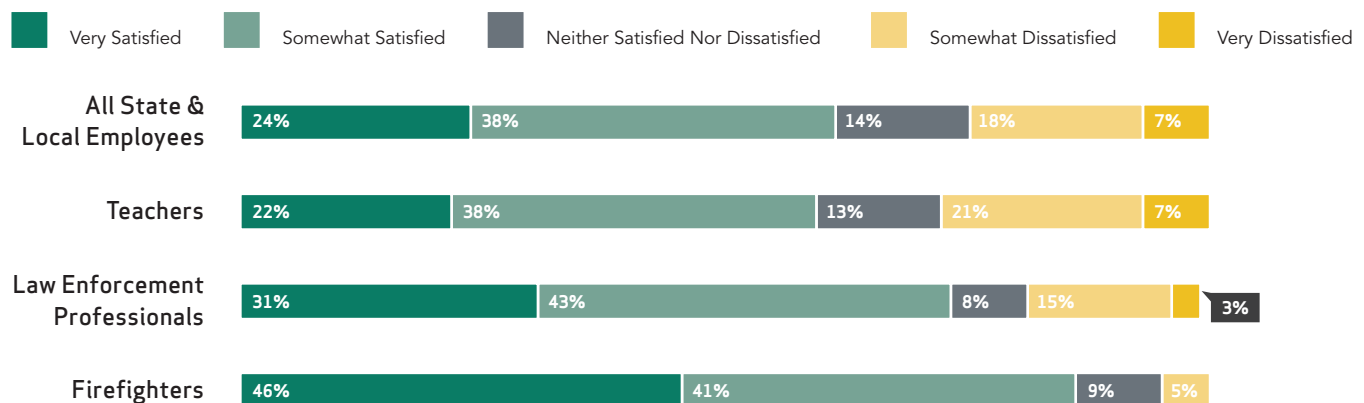
**Figure 6: Across professions, state and local employees overwhelmingly are satisfied with their retirement benefits.**

How satisfied are you with the following aspect of your current job: retirement benefits.



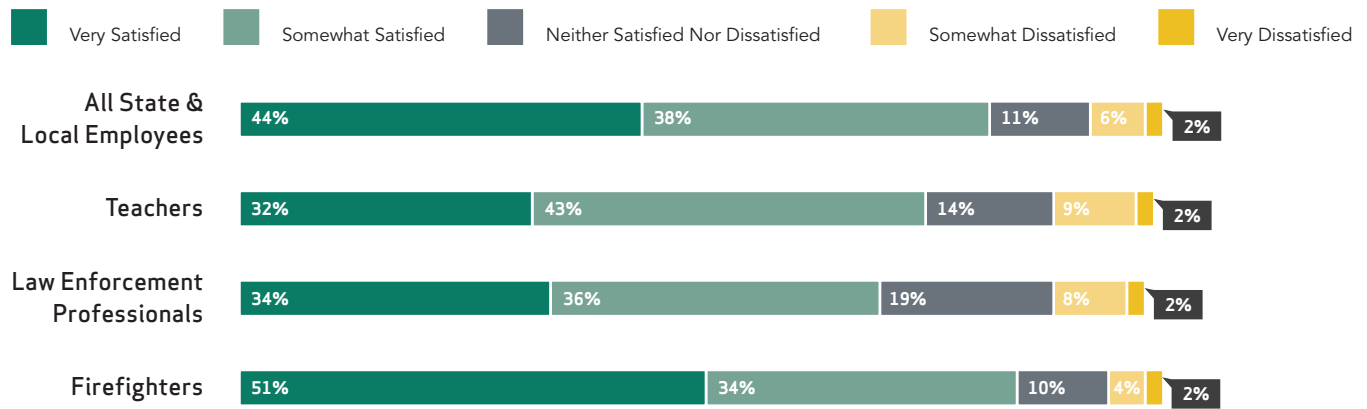
**Figure 7: State and local employees are less satisfied with their salary.**

How satisfied are you with the following aspect of your current job: salary.



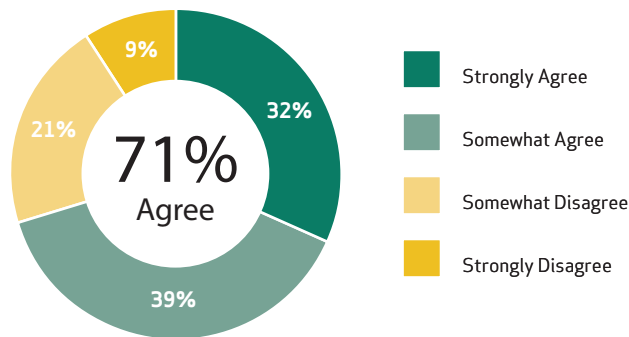
**Figure 8: Across professions, state and local employees are satisfied with their work-life balance.**

How satisfied are you with the following aspect of your current job? Work-life Balance.



**Figure 9: The majority of state and local employees say their jobs are stressful.**

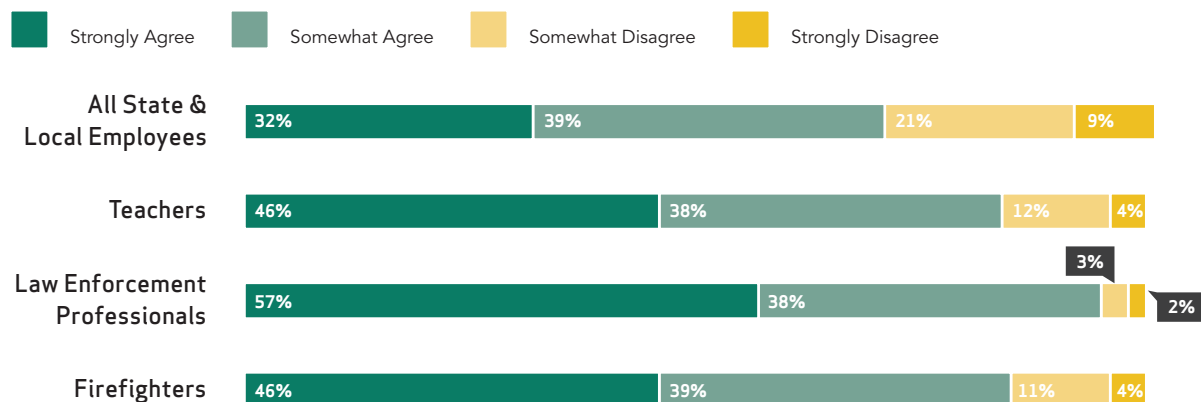
To what extent do you agree or disagree with the following statement: My job is stressful.



State and local employees also are satisfied with their work-life balance. A full 82 percent say they are satisfied with their work-life balance (Figure 8). This satisfaction with work-life balance comes despite the fact that many employees view their jobs as stressful. Some 71 percent indicate that their jobs are stressful (Figure 9), with law enforcement professionals expressing the highest level of job stress (95 percent) (Figure 10).

**Figure 10: Across professions, police express the highest level of job stress.**

To what extent do you agree or disagree with the following statement: My job is stressful.



## II. BENEFITS ARE AMONG THE MOST IMPORTANT JOB FEATURES FOR STATE AND LOCAL EMPLOYEES.

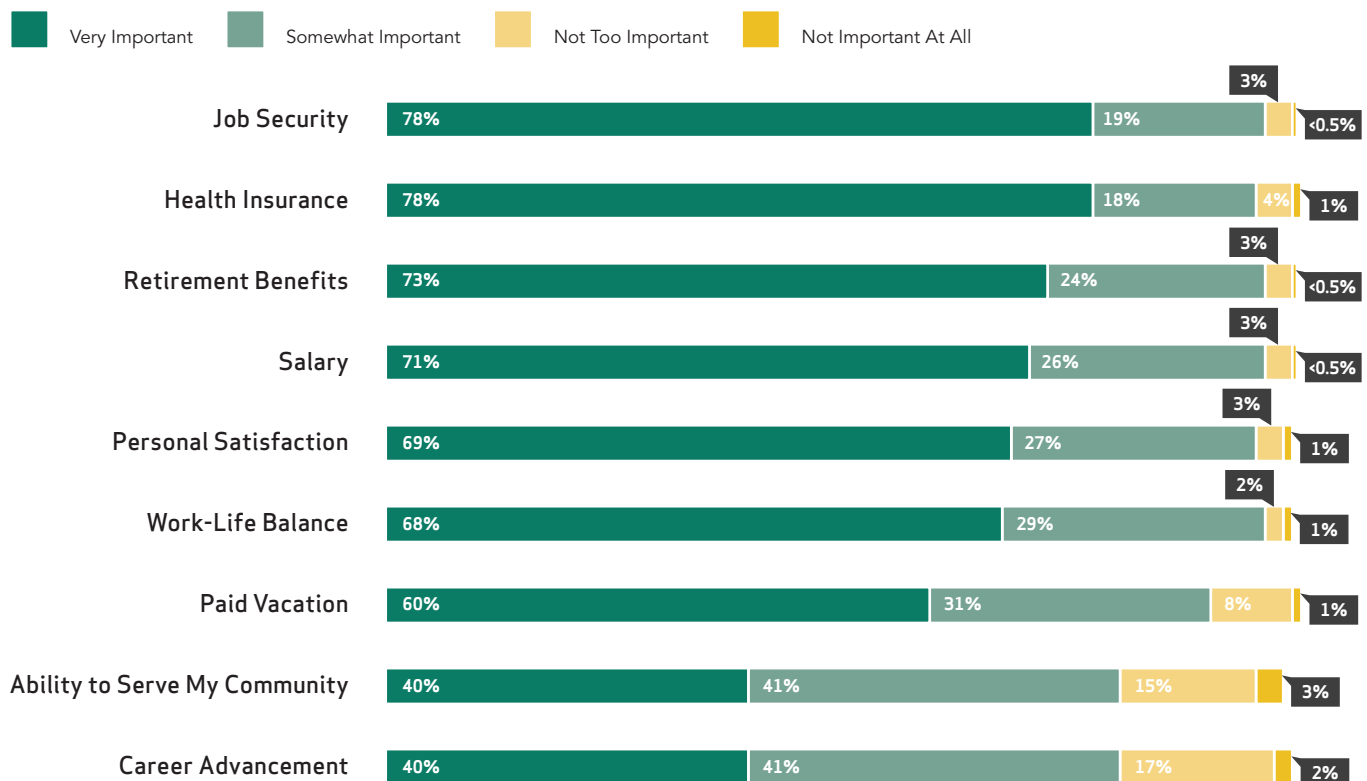
A tool that both public and private sector employers utilize to attract and retain workers is their benefits package. In recent years, amid low unemployment, many employers are modifying their benefits as a strategy to hire and keep workers. A 2016 study from the Society for Human Resource Management found that nearly one-fifth of human resources professionals say they have altered employee benefit programs to help retention of employees during a 12 month period. About three-fifths changed their healthcare benefits and more than one-third enhanced their retirement benefits. And when it comes to recruitment, 12 percent of human resources professionals indicated their organizations altered their benefits program to aid in the recruitment of employees at all levels of the organization during a 12 month period. Of these organizations, 65 percent of human resources professionals

reported that their organizations have altered their healthcare benefits to aid in the recruitment of employees while 41 percent modified their retirement benefits.<sup>21</sup>

Specific to the public sector workforce, most state and local employers offer healthcare and retirement benefits. Retirement benefits are available to 91 percent of state and local government workers, including pensions and individual savings accounts, and some 89 percent have access to medical care benefits in 2019.<sup>22</sup> These benefits can be considered attractive to those working in state or local government, particularly when salaries often are less competitive than in the private sector. But state and local government employers are not necessarily improving or increasing health and retirement benefits to address growing public sector workforce challenges.

Figure 11: **Job security, health insurance and retirement benefits are very important job features for state and local employees when making job decisions.**

When making job decisions, how important are the following job features to you?



Instead, many jurisdictions have changed their health or retirement plans, shifting more costs to employees.”<sup>23</sup>

When asked about the job features that are very important when making job decisions, job security (78 percent), health insurance (78 percent) and retirement benefits (73 percent) ranked highest. Salary fell below these top three (71 percent), followed by personal satisfaction (69 percent), work-life

balance (68 percent) and paid vacation (60 percent) (Figure 11).

The importance of healthcare and retirement benefits is strong across various professions in state and local government, namely for teachers, law enforcement professionals and firefighters (Figures 12 and 13).

**Figure 12: Across professions, health insurance is highly important to state and local employees when making job decisions.**

When making job decisions, how important is the following job feature: health insurance.



**Figure 13: Across professions, retirement benefits are highly important to state and local employees when making job decisions.**

When making job decisions, how important are the following job feature: retirement benefits.



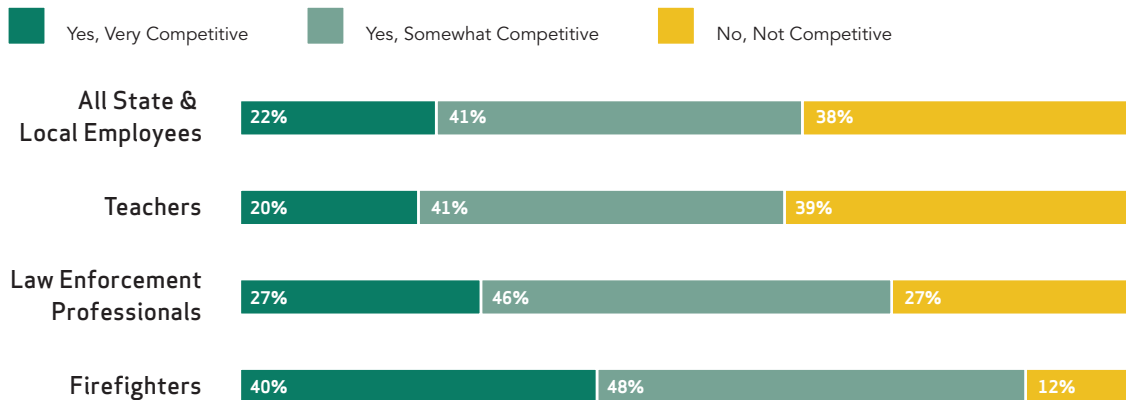
### III. STATE AND LOCAL EMPLOYEES HAVE MIXED VIEWS ON THE COMPETITIVENESS OF THEIR SALARY. HOWEVER, THEY AGREE THAT THEIR BENEFITS ARE COMPETITIVE—BUT WITHOUT A PENSION, THEIR COMPENSATION WOULD BE LESS COMPETITIVE.

In the public sector, salaries typically are lower than those in the private sector for employees with comparable education and experience. This can make it difficult for state and local government employers competing for talent.<sup>24</sup> According to the Center for State and Local Government Excellence, only about half of state and local employers recently reported that they offer competitive pay.<sup>25</sup>

State and local workers have mixed views when it comes to the competitiveness of their salaries. Among all state and local workers, less than a quarter (22 percent) say their salaries are very competitive while 37 percent say salaries are not competitive. Some 40 percent of firefighters, however, say that their salaries are competitive, significantly higher than the views of teachers and law enforcement professionals (**Figure 14**).

**Figure 14: State and local employees have mixed views on the competitiveness of their current salaries.**

Do you think salaries offered by your current employer are competitive with the labor market?

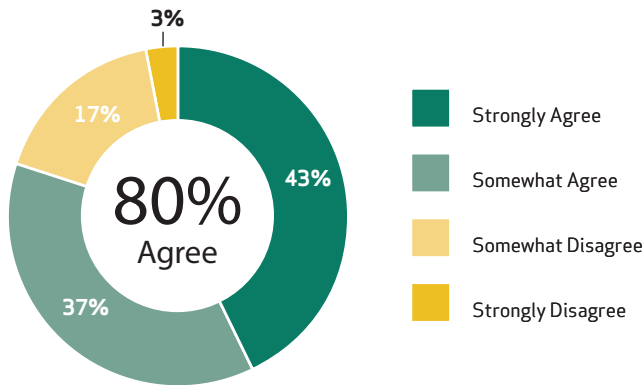


Meanwhile, the vast majority agree (80 percent) that they could earn a higher salary in the private sector (Figure 15). And their sentiment that they could earn more money in the private sector is particularly interesting given that more than half of state and local employees say they live paycheck to paycheck (Figure 16).

When it comes to retirement benefits, state and local workers say this offering from their employers is more competitive than salaries offered. Among all state and local workers, 34 percent say that their retirement benefits are very competitive and more than half (54 percent) say the benefits are somewhat competitive. By comparison, slightly more than half of firefighters (51 percent) are very satisfied with their retirement benefits (Figure 17).

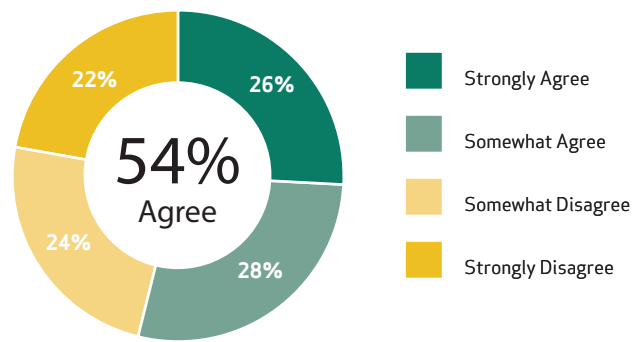
**Figure 15: 80% of state and local employees say they could earn a higher salary in the private sector.**

To what extent do you agree or disagree with the following statement: I could make a higher salary working in the private sector.



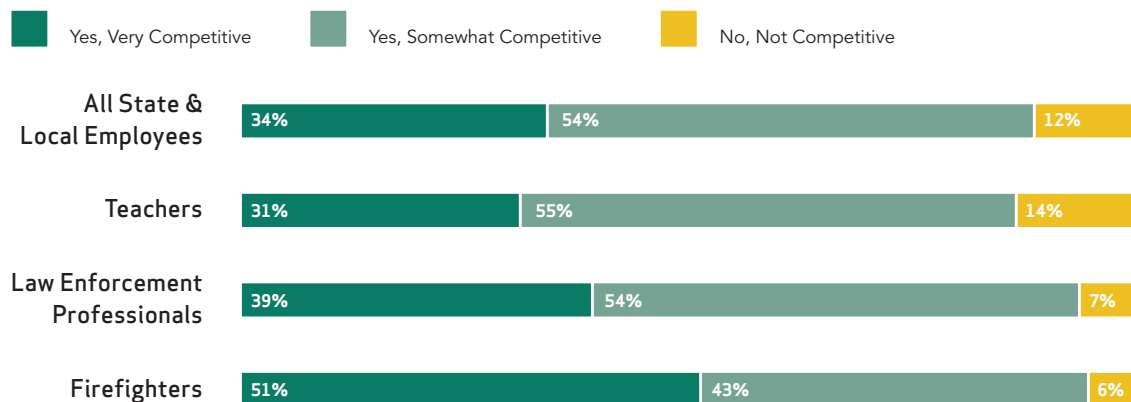
**Figure 16: More than half of state and local employees say they live paycheck to paycheck.**

To what extent do you agree or disagree with the following statement: My family lives paycheck to paycheck.



**Figure 17: Across professions, state and local employees say that their current retirement benefits are competitive.**

Do you think the retirement benefits offered by your current employer are competitive with the labor market?



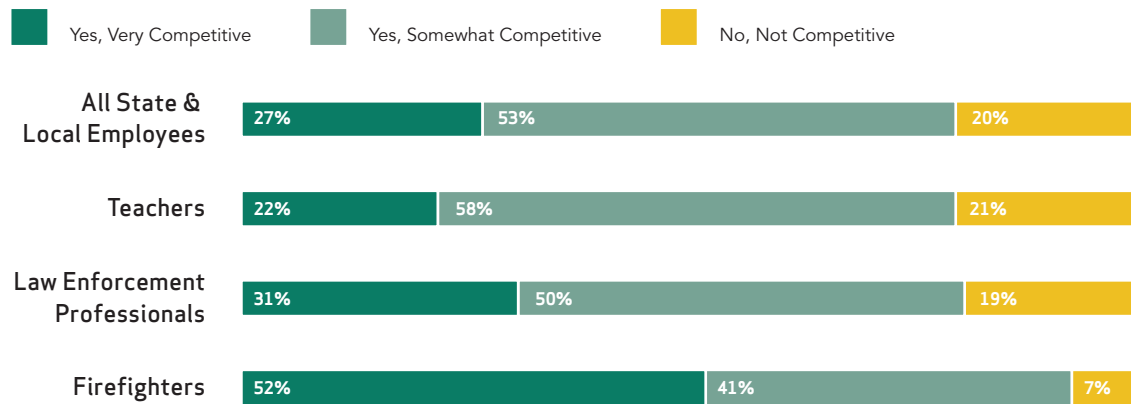


When it comes to overall compensation (salary plus benefits), the level of competitiveness increases. Among all state and local workers, 80 percent agree that their compensation is either very or somewhat competitive. Teachers and law enforcement views are aligned with the overall state and local workforce, while 93 percent of firefighters see their total compensation as competitive (**Figure 18**).

However, employees would view their compensation as less competitive if their compensation package lacked a pension. Only 19 percent of all state and local employees would view their compensation as very competitive without a pension, and only 30 percent of firefighters say their package would be competitive (**Figure 19**).

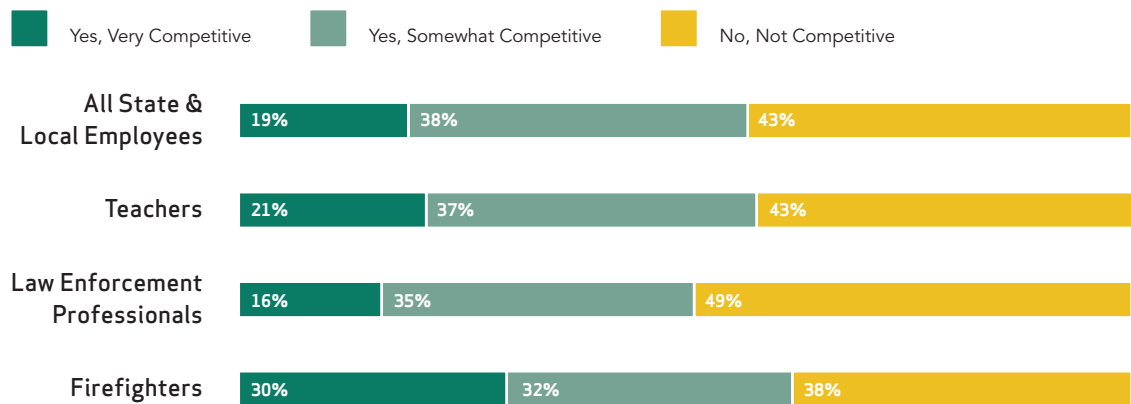
**Figure 18: Across professions, state and local employees say that their overall compensation package is competitive.**

Do you think the overall compensation package (including salary, retirement benefits and other benefits) offered by your current employer is competitive with the labor market?



**Figure 19: Fewer would find their overall compensation package competitive without a pension.**

Do you think the overall compensation package offered by your current employer would be as competitive if it did not include a pension and instead provided a retirement plan where the responsibility was on you to save for retirement?

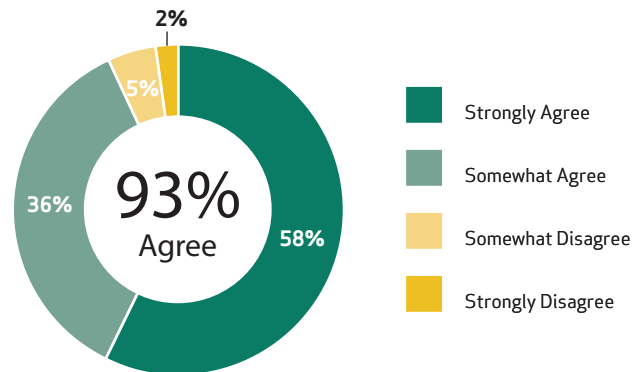


## IV. BENEFITS ARE VIEWED AS A POWERFUL RECRUITMENT AND RETENTION TOOL ACROSS STATE AND LOCAL GOVERNMENT PROFESSIONS.

As state and local employers face issues recruiting and retaining employees to deliver important public services, the issue of benefits comes into play. As discussed earlier, benefits are more valued than salary for state and local workers. But how much of a factor are they when it comes to recruiting and retaining the public workforce? According to employees, these benefits play a significant role. Among all state and local employees, 93 percent say pensions incentivize workers to have a long career (Figure 20). This sentiment is high among teachers, law enforcement, and firefighters (Figure 21), professions that either have workforce shortages or a hard time recruiting employees. This rationale among state and local workers that pensions keep them on the job makes sense when considering that pension benefits are designed to be a workforce management tool, typically calculating benefits as a function of an employee's years of service and salary. So the more years of service, the higher the retirement benefit.

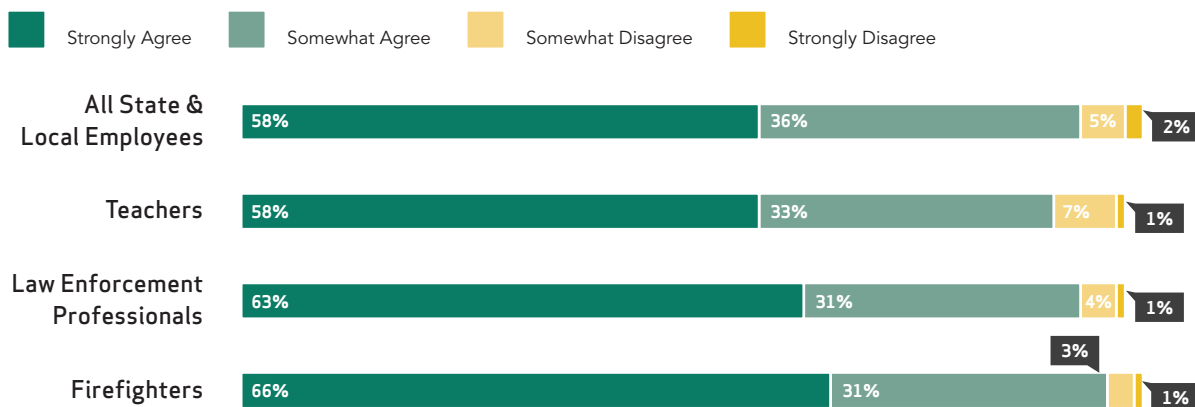
**Figure 20: 93% of state and local employees say pensions incentivize public workers to have long public service careers.**

To what extent do you agree or disagree with the following statement: Pensions incentivize public workers to have long careers in public service.



**Figure 21: Across professions, state and local employees overwhelmingly agree that pensions incentivize public workers to have long public service careers.**

To what extent do you agree or disagree with the following statement: Pensions incentivize public workers to have long public service careers.

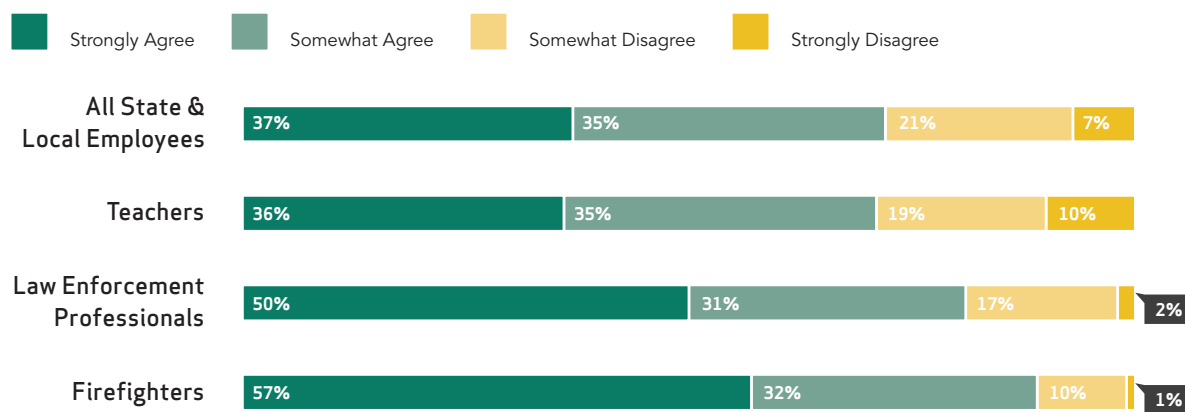


Interestingly, the vast majority of state and local workers agree that their pension benefit was a major factor in their job choice. Nearly three-fourths (72 percent) agree that their pension played a key role in selecting their job. At the profession level, 71 percent of teachers agree, 81 percent of law enforcement agrees, and 89 percent of firefighters agree (Figure 22).

In terms of why they stay in their jobs, again there is strong agreement that pensions play a key role. Among all state and local workers, 86 percent agree their pension benefit is a major reason they stay in their job. Across professions, 86 percent of teachers agree, 86 percent of law enforcement agrees, and 92 percent of firefighters agree (Figure 23).

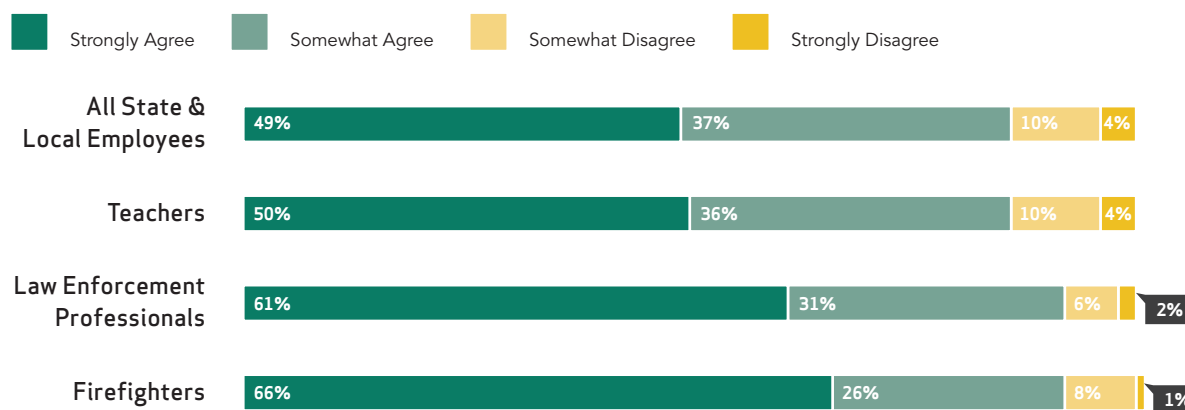
**Figure 22: Across professions, state and local employees overwhelmingly agree that a pension benefit is a major reason they chose a public sector job.**

To what extent do you agree or disagree with the following statement: A pension benefit is a major reason I chose a public sector job in the first place.



**Figure 23: Across professions, state and local employees overwhelmingly agree that a pension benefit is a major reason why they stay in their job.**

To what extent do you agree or disagree with the following statement: A pension benefit is a major reason why I stay in the public sector job I have now.

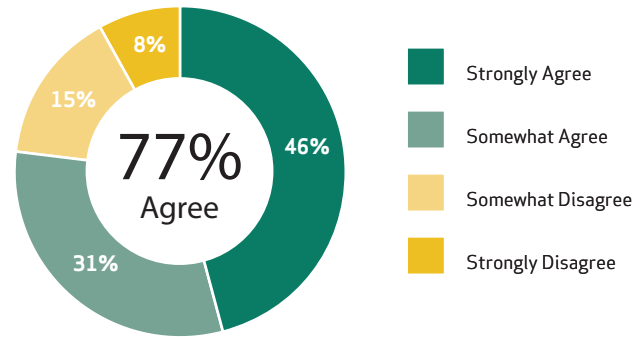


Healthcare benefits also are a key factor in making job decisions for state and local employees, with more than three-quarters (77 percent) saying these benefits were a factor in the job choice (Figure 24).

When it comes to attracting new employees, pensions widely are considered a strong tool. More than half (56 percent) of all state and local workers agree that pensions attract new workers, while 60 percent of teachers agree, 71 percent of law enforcement agrees, and 77 percent of firefighters agree (Figure 25).

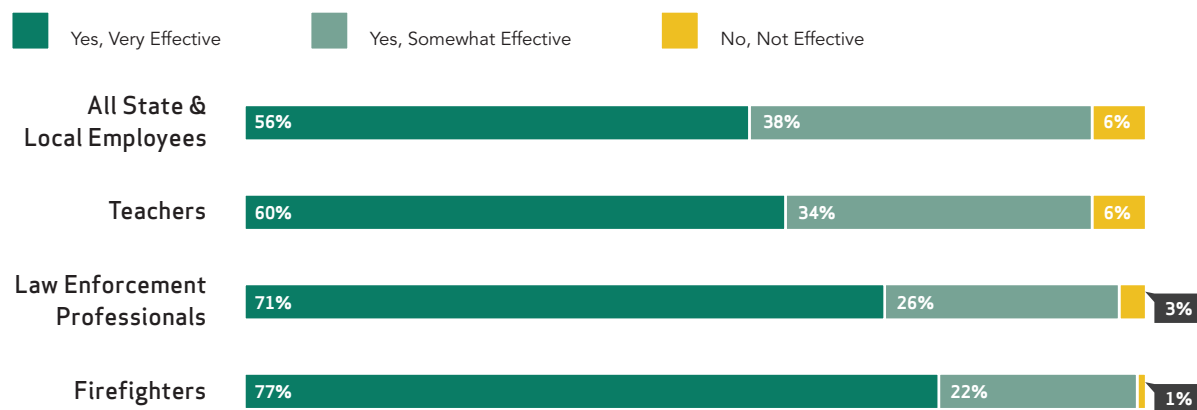
**Figure 24: 77% of state and local employees say healthcare benefits is one reason for selecting a public sector job.**

To what extent do you agree or disagree with the following statement: Healthcare benefits is one reason I selected a public sector job.



**Figure 25: Across professions, state and local employees overwhelmingly agree that offering a pension is an effective tool for attracting new public employees.**

Do you think offering a pension is an effective way for an employer to recruit new public employees?

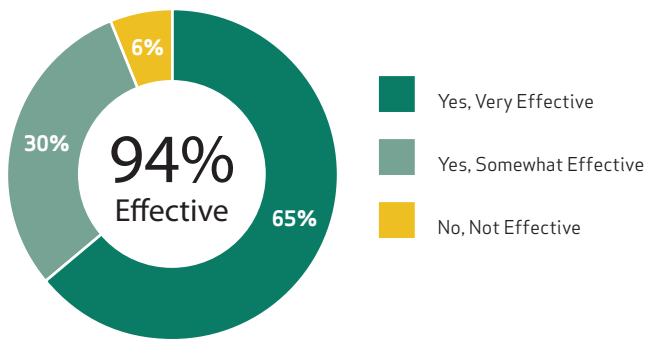


Regarding retention of state and local employees, nearly all agree (94 percent) that pensions are an effective tool for retaining these workers (Figure 26). What's more, 89 percent of state and local workers say they plan to stay in their current

job through retirement or until they are no longer able to work (Figure 27). This sentiment holds steady across professions, with 90 percent of teachers and law enforcement in agreement and 99 percent of firefighters in agreement (Figure 28).

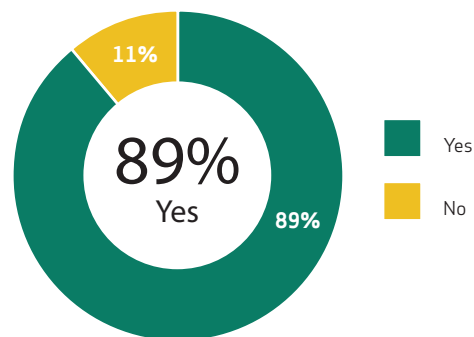
**Figure 26: 94% of state and local employees say offering a pension is an effective tool for retaining employees.**

Do you think offering a pension is an effective way for an employer to retain current public employees?



**Figure 27: 89% of state and local employees say they plan to stay with their current employer until they are eligible for retirement or can no longer work.**

Are you planning to stay with your current employer until you are either eligible for retirement or can no longer work?



**Figure 28: Across professions, the overwhelming majority of state and local employees say they plan to stay in their job until they are eligible for retirement or can no longer work.**

Are you planning to stay with your current employer until you are either eligible for retirement or can no longer work?



## V. STATE AND LOCAL GOVERNMENT EMPLOYEES OVERWHELMINGLY HAVE FAVORABLE VIEWS OF PENSIONS, WITH LASTING RETIREMENT INCOME AND MONTHLY CHECKS THE MOST IMPORTANT FEATURES.

Pensions are group-based retirement plans that are widely available in the public sector, and also available in the private sector. In 2016, 27.9 million U.S. retirees and their beneficiaries received pension benefits, of which 10.7 million receive state and local pension income.<sup>26</sup> Most state and local employees contribute to their pension each pay period throughout their career, and they receive a monthly retirement benefit that lasts throughout retirement. For about 25 percent of state and local workers, their pension benefit is particularly important because they are not eligible for Social Security.<sup>27</sup>

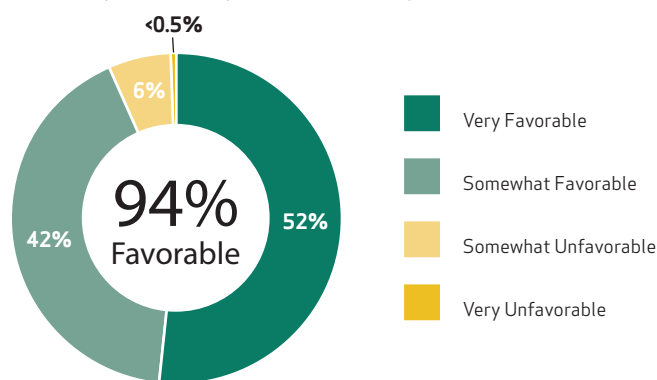
Public and private sector pensions differ from defined contribution plans, such as 401(k) plans, in that pensions typically provide broad-based coverage, secure money for retirement, a lifetime income, special protections for spouses, and death and disability benefits.<sup>28</sup> Research also indicates that pension plans are more economically efficient than DC plans, and can deliver the same level of retirement income at nearly half the cost of a typical DC plan.<sup>29</sup>

State and local pensions are prefunded systems, which means that a retirement fund receives regular contributions from the employer and employee in contrast to “pay-as-you-go” systems like Social Security where current employees pay benefits for current retirees. Prefunded pensions have the advantage that investment earnings can pay for most of the retirement benefits because employee and employer contributions are invested, and these investment earnings compound over time. Over a span of decades, accumulation of investment earnings can be substantial, and in many cases pay the majority of the pension benefits.<sup>30</sup>

When asked their views on pensions, recent research found that Americans are highly positive on the role of pensions in providing retirement income. In March 2019, national polling found that 77 percent of Americans have a favorable view of pensions. Americans also saw the value of pensions in

Figure 29: **94% of state and local employees have favorable views of defined benefit pensions.**

How would you describe your overall view of pensions?



terms of their role in ensuring American workers can be self-reliant and independent in retirement, rather than turning to families or government to help meet their basic needs. Also, nearly two-thirds of Americans say pensions are better than 401(k) accounts in terms of providing retirement security (64 percent).<sup>31</sup>

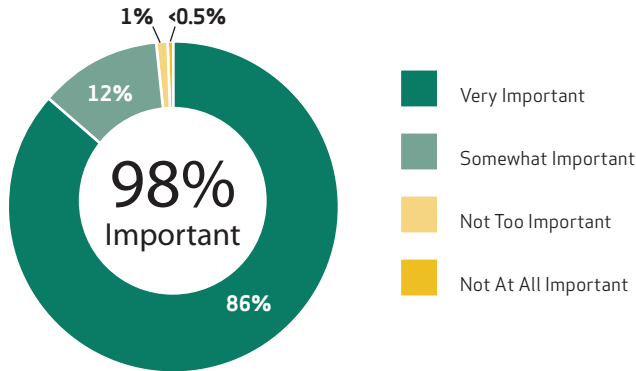
When examining state and local employees’ views on pensions, the views again were favorable. Some 94 percent of state and local employees have favorable views of pensions (**Figure 29**).

In terms of the features of pensions, nearly all (98 percent) state and local workers say that providing lasting income is a key feature (**Figure 30**). And, 99 percent say that a monthly check is a key feature of pensions (**Figure 31**). For law enforcement and firefighters who work in risky jobs, death and disability benefits are a critical feature of pensions (**Figure 32**),



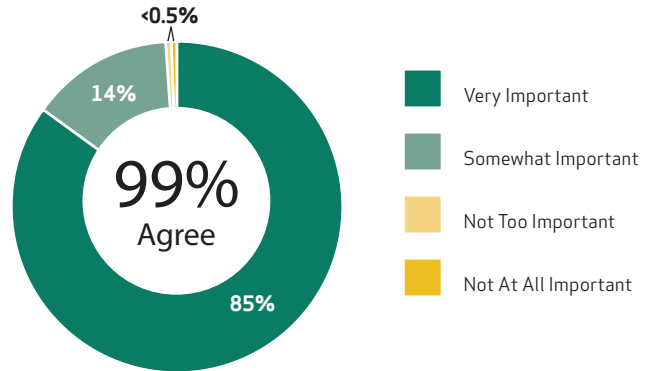
**Figure 30: 98% of state and local employees say that providing retirement income that lasts is an important feature of a pension.**

How important are these features of pensions: Provides retirement income that lasts throughout retirement.



**Figure 31: 99% of state and local employees say that receiving a monthly check is an important feature of a pension.**

How important are these features of pensions: At retirement, employees receive a check each month.



**Figure 32: The death and disability feature of a pension is especially important for police and firefighters.**

How important are these features of pensions: provides death and disability benefits.



a feature that is not available or can be exorbitantly expensive in individual retirement plans like 401(k) accounts (Figure 33).

As discussed, both public and private sector workers see pensions as a better retirement plan than 401(k)-style individual accounts and better at ensuring financial security in retirement. Specific to state and local workers, 80 percent agree that pensions are better than 401(k) plans in terms of helping to maintain their standard of living in retirement (Figure 34). Pensions also mean that state and local workers, many of whom live paycheck to paycheck, will not have to worry about falling into poverty or relying on others in retirement. More than three-quarters (78 percent) agree (Figure 35).

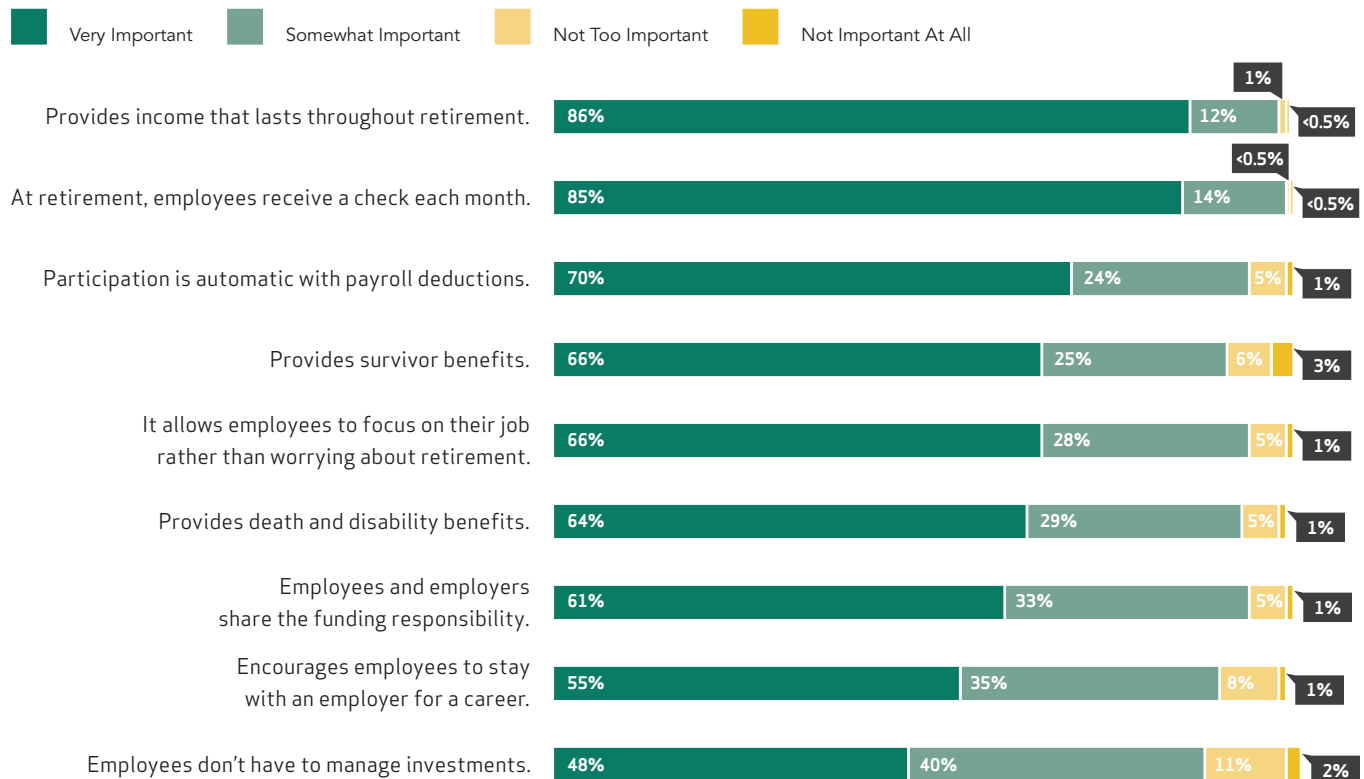
The March 2019 public opinion research found that, in overwhelming numbers, Americans are worried about their ability to attain and sustain financial security in their older

years. Three-fourths of Americans said that the nation faces a retirement crisis, 70 percent said the average worker cannot save enough on their own to guarantee a secure retirement, and 65 percent said it is likely they will have to work past retirement age to have enough money to retire.<sup>32</sup>

Among state and local workers, they too see the value of pensions in providing financial security in retirement. More than half (53 percent) say they would be less confident about their retirement if they had to save on their own in, perhaps, an individual account like a 401(k) rather than a pension (Figure 36). And 56 percent say they would be less confident about maintaining their standard of living in retirement if they had to save on their own rather than a group-based pension (Figure 37). Also, 92 percent of state and local workers say a pension with lifetime income provides peace of mind (92 percent) (Figure 38). And 79 percent are confident that their pension benefits will be there in retirement (Figure 39).

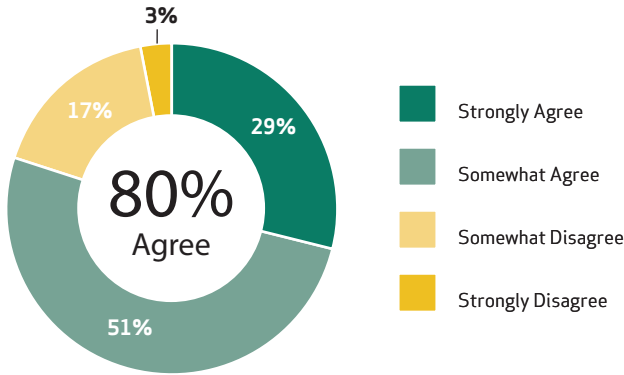
Figure 33: Lasting income and a monthly check are important features of pensions.

How important are these features of pensions?



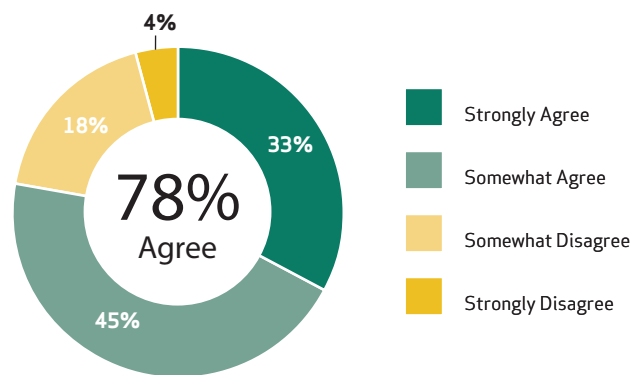
**Figure 34: 80% of state and local employees say a pension is better than a 401(k) for maintaining their standard of living in retirement.**

To what extent do you agree or disagree with the following statement: A pension is better than a 401(k) at maintaining my standard of living in retirement.



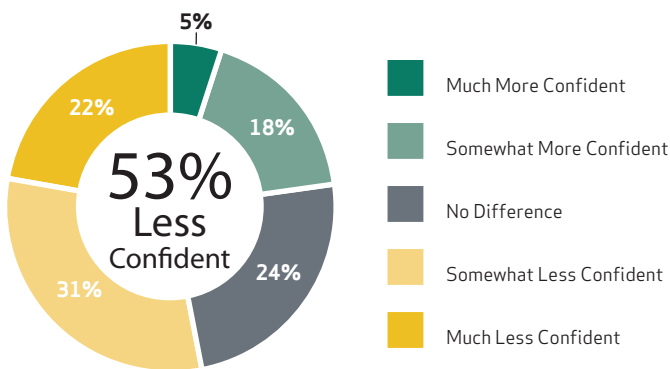
**Figure 35: More than three-fourths of state and local employees say a pension means not worrying about poverty or relying on others in retirement.**

To what extent do you agree or disagree with the following statement: Having a pension means I don't have to worry about falling into poverty or relying on family/government in retirement.



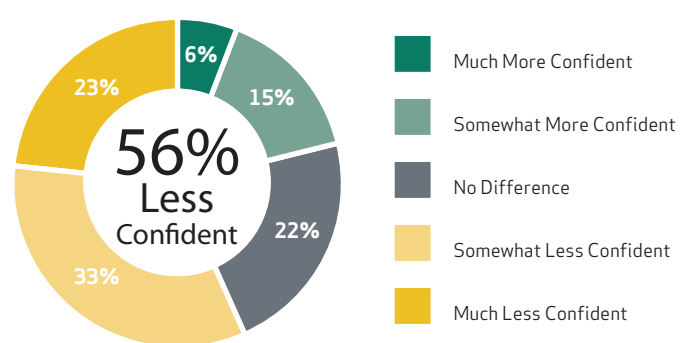
**Figure 36: More than half of state and local employees say they would be less confident about their financial security in retirement if saving was their responsibility rather than having a pension.**

Now imagine that instead of having a pension, you had a retirement plan where the responsibility was on you to save for retirement. Would you be more or less confident that you would be financially secure in retirement if this were the case?



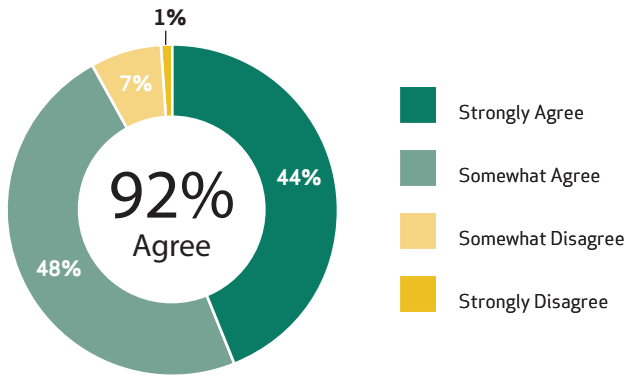
**Figure 37: More than half of state and local employees say they would be less confident about maintaining their standard of living in retirement if savings was their responsibility rather than having a pension.**

Again, imagine that instead of having a pension, you had a retirement plan where the responsibility was on you to save for retirement. Would you be more or less confident that you would be able to maintain your standard of living throughout retirement if this were the case?



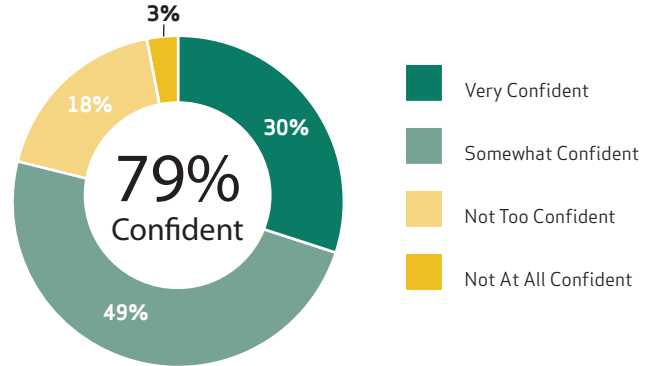
**Figure 38: 92% of state and local employees say that a pension with lifetime income provides peace of mind.**

To what extent do you agree or disagree that having guaranteed lifetime income from a pension gives you peace of mind should you have a long retirement?



**Figure 39: The vast majority of state and local employees are confident their pension benefits will be there in retirement.**

How confident are you that your pension will be there when it is time to retire?



## VI. MOST PUBLIC WORKERS FEEL THEY WILL BE FINANCIALLY SECURE IN RETIREMENT, BUT THE VAST MAJORITY OF STATE AND LOCAL EMPLOYEES ARE HIGHLY CONCERNED ABOUT CUTS TO RETIREMENT BENEFITS AND GOVERNMENT OFFICIALS UNDERFUNDING OF PENSION PLANS.

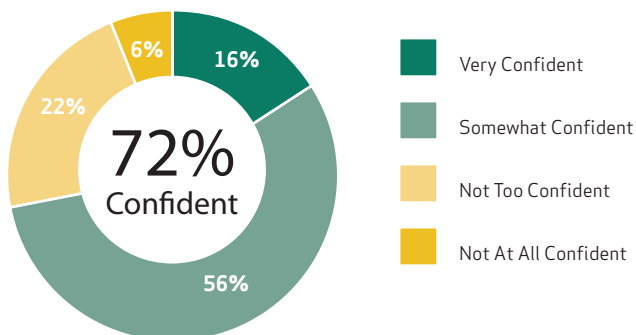
Changes to the U.S. retirement infrastructure during the past several decades have put retirement in peril for most working Americans. When all working individuals are included, the typical American has zero dollars saved for retirement. Among workers who have managed to accumulate savings in a retirement account, that typical account balance is only about \$40,000. Much of the problem is that most of the workforce lacks an employer-sponsored retirement plan, fewer workers have stable and secure pensions, and 401(k)-style defined contribution individual accounts provide less value and protections. Also, increases to the Social Security retirement age translate into income cuts for retirees.<sup>33</sup>

As discussed earlier, most state and local workers have access to a defined benefit pension plan. This likely explains why nearly three-fourths of state and local employees believe they will be financially secure in retirement (**Figure 40**). Also, about two-thirds of state and local employees say they are confident they can maintain their standard of living in retirement (**Figure 41**).

In contrast, some 70 percent of Americans say the average worker cannot save enough on their own to guarantee a secure retirement. And despite their worry, this national opinion polling found strong support broadly among Americans for pension plans for state and local workers. Some 82 percent say police officers & fire fighters deserve a pension because they have risky jobs, while 74 percent say teachers deserve pensions to compensate for low pay.<sup>34</sup>

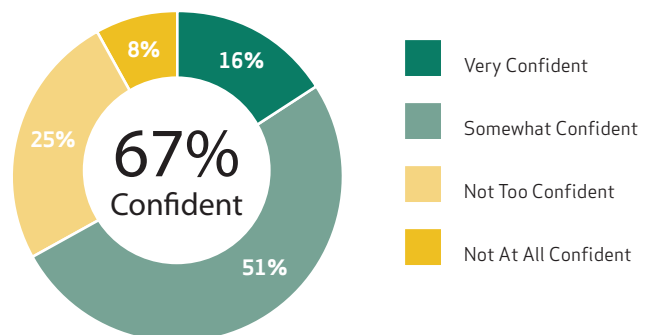
**Figure 40: Nearly three-fourths of state and local employees are confident they will be financially secure in retirement.**

How confident are you that you will be financially secure in retirement?



**Figure 41: About two-thirds of state and local employees say they are confident they can maintain their standard of living in retirement.**

How confident are you that you will be able to maintain our standard of living in retirement?



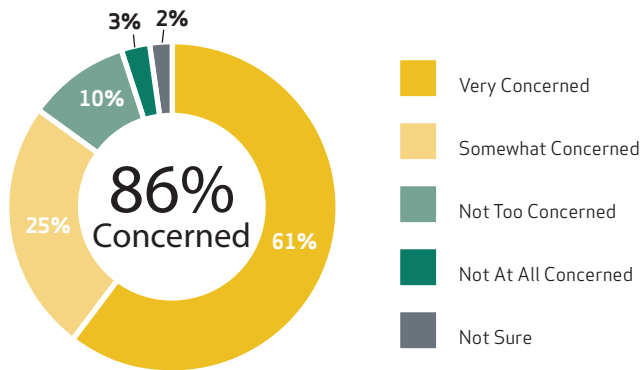
For state and local pensions, substantial changes to the plans and their financing were made to ensure their sustainability following the Great Recession. Since 2009, nearly all states have enacted reforms to their pension plans.<sup>35</sup> The changes included pension benefit cuts such as reducing benefit multipliers, increasing the retirement age, reducing cost-of-living adjustments, or increasing the employee contribution rate.

So, it is not surprising that state and local employees express concern about cuts to their retirement benefits. Some 86 percent are concerned (Figure 42). And, 81 percent are concerned about cuts to their cost of living adjustments (COLAs) (Figure 43).

These COLAs are changes in a monthly retirement benefit to account for increasing prices. COLAs help to sustain the purchasing power of a pension benefit throughout retirement. Rising prices and inflation can quickly erode retirement income, even to the point that a retirement benefit that is adequate to pay monthly expenses at the beginning of retirement can become inadequate over time.<sup>36</sup> According to the National Association of State Retirement Administrators (NASRA), three-fourths of state and local government pension plans provide some form of an automatic cost-of-living-adjustment. Other types of public sector plans have “ad hoc” COLAs that require specific action by the plan sponsor or “investment-based” COLAs that increase benefits when the pension fund’s investment performance surpasses a designated benchmark.<sup>37</sup>

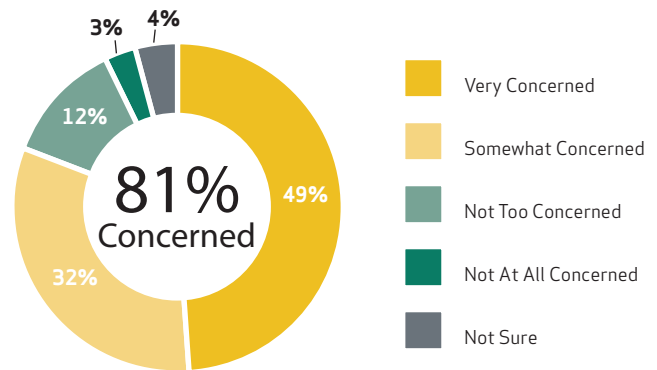
**Figure 42: 86% state and local employees are concerned about cuts to their retirement benefits.**

How concerned are you about the following issue as related to pensions: Cuts to retirement benefits.



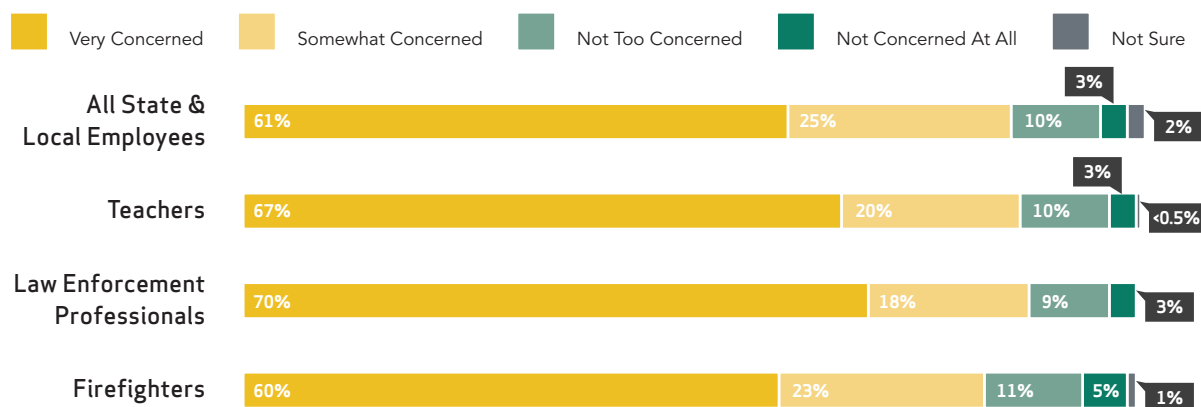
**Figure 43: 81% of state and local employees are concerned about cost of living adjustments.**

How concerned are you about the following issue as related to pensions: Cost of Living Adjustment (COLA)



**Figure 44: Across professions, state and local employees are concerned about cuts to their retirement benefits.**

How concerned are you about the following issue as related to pensions: cuts to retirement benefits.





These concerns about pension and COLA cuts are high across various state and local professions. Some 83 percent of firefighters are concerned about pension cuts, as are 87 percent of teachers and 88 percent of law enforcement (Figure 44). When it comes to COLA cuts, there too is consistently high concern across various professions (Figure 45).

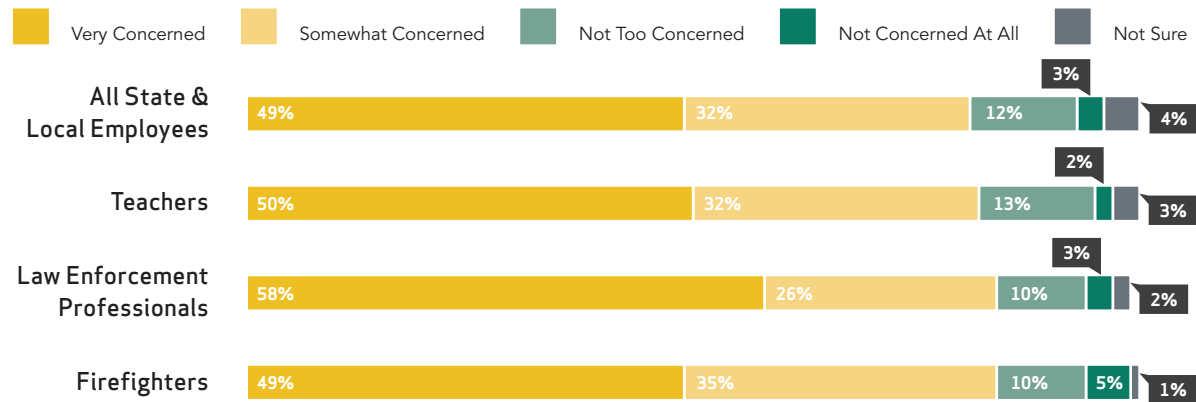
Most state and local public pension plans are well-funded and on course to pay retirement benefits for decades into the future. A recent analysis from the Boston College Center for Retirement Research found that the top third of state and local pension plans have an average funded ratio of 90 percent, and the average funded ratio for the middle third of plans

has remained relatively steady at about 70 percent since the financial crisis. The average funded ratio for the bottom third of state and local pension plans is 55 percent, and these plans likely will require some sort of action beyond the traditional reforms to improve the trajectory of their funded status.<sup>38</sup>

Often times when plans run into funding challenges, the culprit is the failure of policymakers to pay the required contributions to the retirement plans, even though employees are required to make their contributions. Accordingly, state and local employees express concern about government officials underfunding their pension contributions—85 percent are concerned (Figure 46).

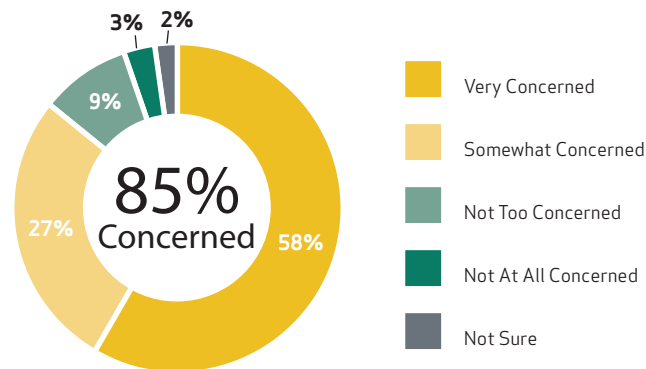
**Figure 45: Across professions, state and local employees are concerned about their COLAs.**

How concerned are you about the following issue as related to pensions: cost of living adjustments.



**Figure 46: 85% of state and local employees are concerned about government officials underfunding their pension.**

How concerned are you about the following issue as related to pensions: government officials underfunding the plans.

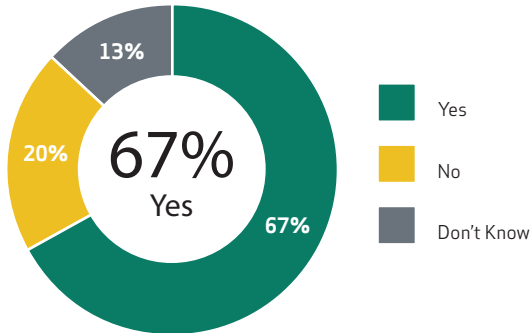


To ensure they can achieve a secure retirement, more than two-thirds of state and local workers say they will stay with their current job as long as possible to earn a larger retirement benefit (Figure 47). This makes sense given that, as discussed earlier, pension benefit levels typically are higher as the years of service rise. But even despite having a pension, more than half of state and local workers say they will work in retirement to ensure financial security (Figure 48). Many state and local workers say they plan to cut their current spending (64 percent) to ensure a secure retirement (Figure 49), and 71 percent expect to cut their spending in retirement (Figure 50).

Also, most state and local employees who are eligible to receive Social Security say they will delay taking the benefit to ensure financial security (Figure 51). Social Security allows for those eligible for benefits to retire at any time between age 62 and the full retirement age. Starting benefits before the full retirement age results in lower benefits. Alternatively, there is a financial bonus for delaying retirement.<sup>39</sup> Another strategy of state and local workers to ensure retirement security is to pay down their current debt—some 84 percent intend to do so (Figure 52).

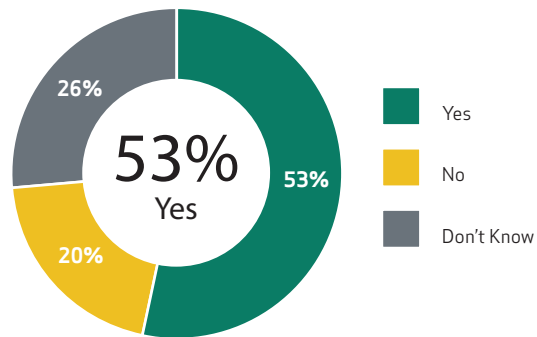
**Figure 47: Two-thirds of state and local employees say they will stay in their current job and earn a larger retirement benefit to ensure financial security in retirement.**

Which of the following, if any, do you plan to do to help ensure a financially secure retirement: stay in your current job to earn a larger retirement benefit.



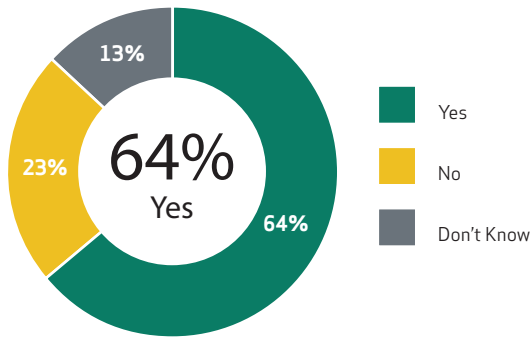
**Figure 48: More than half state and local employees say they will seek employment in retirement to ensure financial security in retirement.**

Which of the following, if any, do you plan to do to help ensure a financially secure retirement? Seek full or part-time work in retirement.



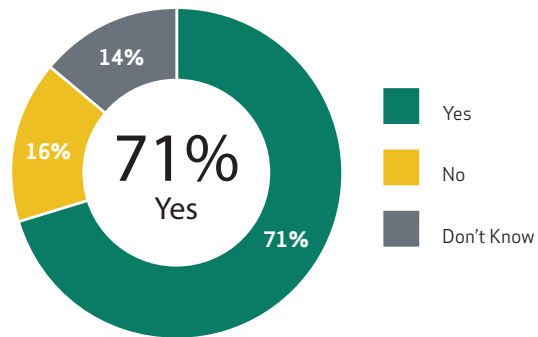
**Figure 49: Almost two-thirds of state and local employees say they will cut their current spending to ensure financial security in retirement.**

Which of the following, if any, do you plan to do to help ensure a financially secure retirement? Cut back your current spending.



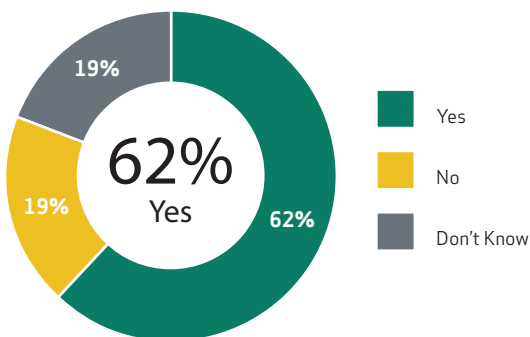
**Figure 50: 71% of state and local employees say they will cut their spending once retired to ensure financial security in retirement.**

Which of the following, if any, do you plan to do to help ensure a financially secure retirement? Cut back your spending once you are retired.



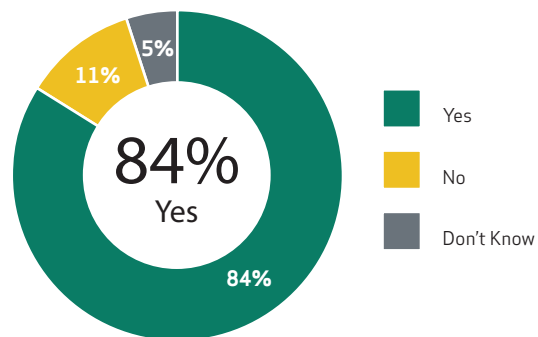
**Figure 51: Most state and local employees say they will delay taking Social Security to ensure a financially secure retirement.**

Which of the following, if any, do you plan to do to help ensure a financially secure retirement? Delay taking Social Security to get a higher benefit.



**Figure 52: 84% of state and local employees say they will pay down debt to ensure a financially secure retirement.**

Which of the following, if any, do you plan to do to help ensure a financially secure retirement? Paying down debt.



## VII. CUTTING BENEFITS OR SWITCHING OUT OF PENSIONS COULD DRIVE STATE AND LOCAL EMPLOYEES OUT OF THE PUBLIC WORKFORCE.

Research conducted by Milliman found that public employees with retirement plan choice overwhelmingly choose defined benefit pension plans over defined contribution 401(k)-type individual accounts. Among the eight states studied that offer employees such a choice, the pension take-up rates in 2015 were 80 percent or higher in six states. Two of the plans studied had pension take-up rates higher than 95 percent, while Florida and Michigan had take-up rates of 76 percent and 75 percent, respectively. This research also found that even when the retirement plan default option favors a DC plan, most employees still select a pension plan.<sup>40</sup>

Given this and other research that finds public employees value their pension, it is not surprising that more than half of public sector employees say that switching from a pension to another type of plan—like a 401(k)-style plan or hybrid plan—would increase the likelihood they would leave their job (**Figure 53**).

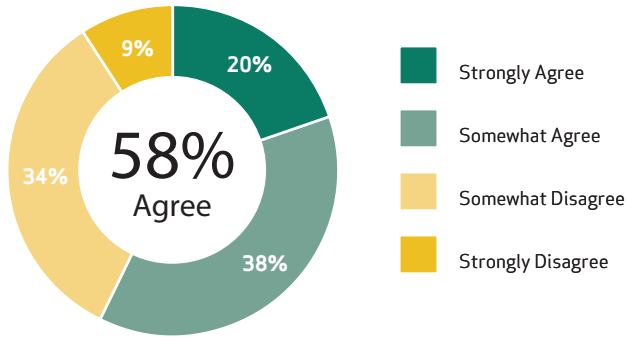
In fact, this issue played out in Palm Beach, Florida, when substantial changes were made to the pension plans offered to the town's employees. A NIRS case study details the 2012 decision by the Palm Beach Town Council to close its

existing defined benefit pension systems for its employees, including police officers and firefighters. The new retirement plans offered dramatically lower pension benefits and new individual 401(k)-style defined contribution accounts. Following a large, swift exodus of public safety employees to neighboring employers, the town reconsidered the changes and voted to abandon the DC plans and to improve the pension plan.<sup>41</sup> Another example is West Virginia, a state that closed its teacher pension plan and switched to 401(k) style plans, only to re-open it when the switch worsened plan funding and teachers were falling far short in their retirement savings targets.<sup>42</sup>

Similarly, nearly three-fourths of state and local workers say they would be more likely to leave their jobs if their pension were cut (**Figure 54**). As discussed earlier, state and local employees value their pension above their salary, yet many jurisdictions have implemented a number of cuts to pension benefits since the Great Recession. Employees feel the same way about their healthcare benefits. A full 79 percent of state and local employees say they would be more likely to leave if their healthcare benefits were reduced (**Figure 55**).

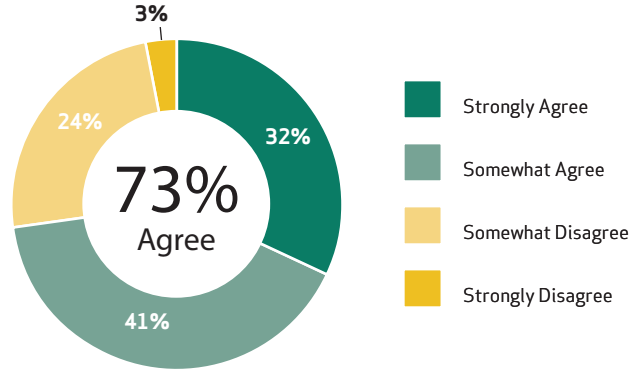
**Figure 53: More than half of state and local employees say switching out of a pension would make them more likely to leave their job.**

To what extent do you agree or disagree with the following statement: If my pension benefit were switched to an individual savings-based account, I would be more likely to leave my job.



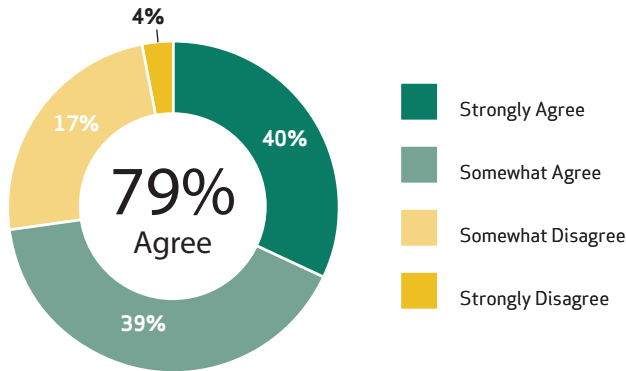
**Figure 54: 73% of state and local employees say they would be more likely to leave their job if their pension were cut.**

To what extent do you agree or disagree with the following statement: If my pension benefit were cut, I'd be more likely to leave my job.



**Figure 55: 79% of state and local employees say they would be more likely to leave their job if their healthcare benefits were cut.**

To what extent do you agree or disagree with the following statement: If my healthcare benefits were cut, I'd be more likely to leave my job.



## VIII. STATE AND LOCAL EMPLOYEES SAY THAT ELIMINATING PENSIONS HAS RISKS.

Pensions do more than provide employees with retirement security. They also serve as workforce tools to recruit and retain employees.

Pension plans have existed in the United States since the 19th century. In the private sector, the first pension plan was introduced in 1875 by the American Express Company, and over time, many private sector employers saw the value of offering pensions as a human resource tool to recruit and retain employees.<sup>43</sup> In the public sector, research finds that pensions are unique in that they provide a financial incentive for employees to stay on the job. As a result, employers have more experienced workers to deliver important services, which ultimately benefits taxpayers.<sup>44</sup>

State and local workers overwhelmingly agree that eliminating pensions would weaken public safety and the U.S. education system. Among these employees, 83 percent agree that

eliminating pension benefits would weaken public safety (Figure 56). Some 87 percent agree that such a change to retirement benefits would weaken the U.S. education system (Figure 57).

Similarly, nearly all state and local employees (92 percent) agree that eliminating pensions will weaken government's ability to attract and retain qualified workers to deliver public services (Figure 58).

What's more, 70 percent of these workers say they would consider going on strike if their pensions were cut (Figure 59). This played out in 2019, when public school teachers went on strike because of compensation and resources in states including California, Colorado, Illinois, North Carolina, New Jersey, Ohio, Oregon, South Carolina, Washington and West Virginia.<sup>45</sup>

Figure 56: **83% of state and local employees say eliminating pensions for the public workforce would weaken public safety.**

To what extent do you agree or disagree with the following statement: Eliminating pensions for public sector employees will weaken public safety.

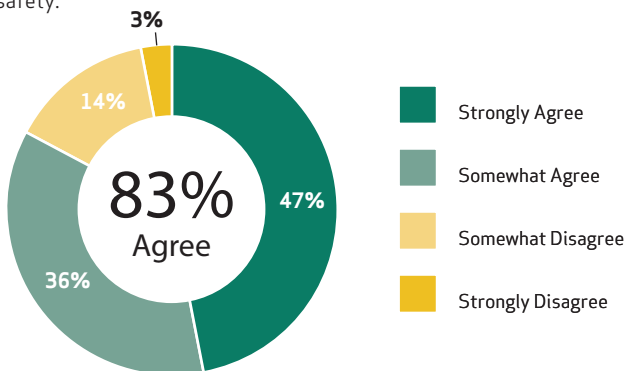
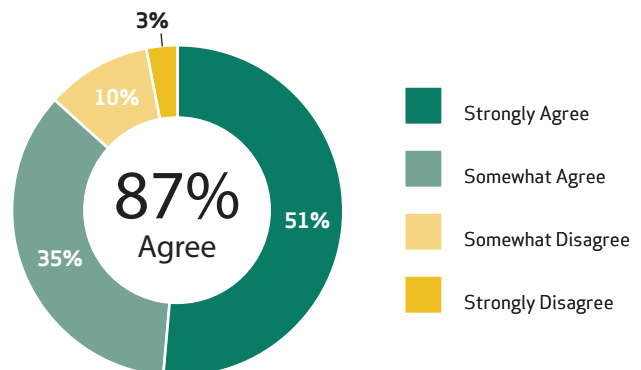


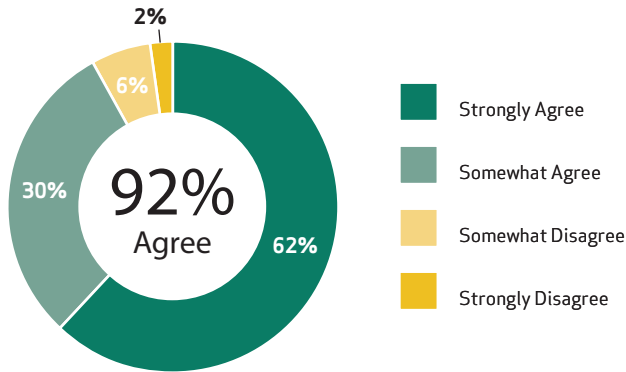
Figure 57: **87% of state and local employees say eliminating pensions for the public workforce would weaken the U.S. education system.**

To what extent do you agree or disagree with the following statement: Eliminating pensions for public sector employees will weaken the U.S. education system.



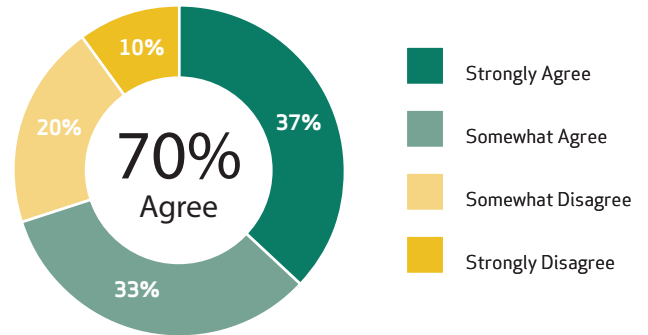
**Figure 58: 92% of state and local employees say eliminating pensions for the public workforce will weaken governments' ability to attract and retain qualified workers to deliver public services.**

To what extent do you agree or disagree with the following statement: Eliminating pensions for public sector employees will weaken the ability of governments to attract and retain qualified workers to deliver public services.



**Figure 59: 70% of state and local employees say they would consider striking if their pensions were cut.**

To what extent do you agree or disagree with the following statement: I would consider going on strike if my pension benefit were cut.



## IX. MILLENNIALS WORKING IN STATE AND LOCAL GOVERNMENT GENERALLY SHARE THE VIEWS OF BABY BOOMERS AND GENXERS ON THEIR JOB, SERVING THE PUBLIC, PAY AND BENEFITS.

Millennials (individuals born between 1981 and 1991) number 83.2 million.<sup>46</sup> They are the largest, best educated, and most diverse generation in U.S. history.<sup>47</sup> This generation faces different circumstances as compared to older generations (e.g., higher levels of student debt and lower access to employer-sponsored retirement plans). And Millennials often are characterized as behaving differently than their GenX and Boomer co-workers in many ways (e.g., dissatisfied with their work and job hoppers).

But research indicates that some of the characterizations of this generation are unfounded. For example, a Pew analysis finds that Millennials are just as likely to stick with their employers as compared to their GenX counterparts. And among Millennials who are college-educated, this generation has longer track records with their employers as compared to that of GenX workers when they were the same age as Millennials.<sup>48</sup>

When looking at the views of Millennials working in state and local government, some of the characterizations seems

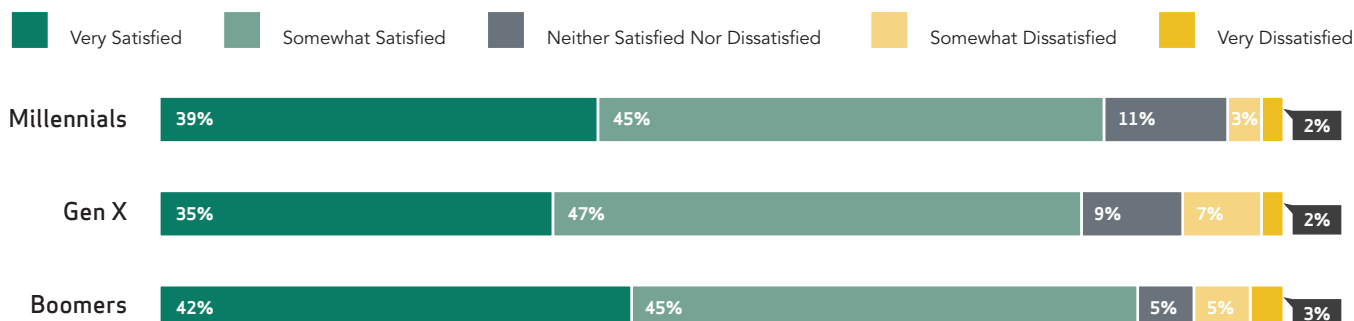
off-track. This research finds that 84 percent of Millennials working in state and local government indeed are satisfied with their current job (**Figure 60**), a level that is aligned with their Boomer and GenX counterparts. This job satisfaction may be attributed to the fact that they are serving the public, as 90 percent of Millennials say that are committed to serving the public (**Figure 61**).

Millennials also are cognizant that they likely could make more money in the private sector. Some 80 percent of Millennial state and local employees say they could earn a higher salary in the private sector (**Figure 62**). This point is particularly important given that many Millennials have high amounts of debt, balancing both high student loans and other debt.<sup>49</sup>

Interestingly, more than three-fourths of Millennials (79 percent) working in state and local government would recommend younger generations also work in the public sector (**Figure 63**), which seems to further underscore their job satisfaction.

**Figure 60: 84% of Millennials working in state and local government are satisfied with their current job.**

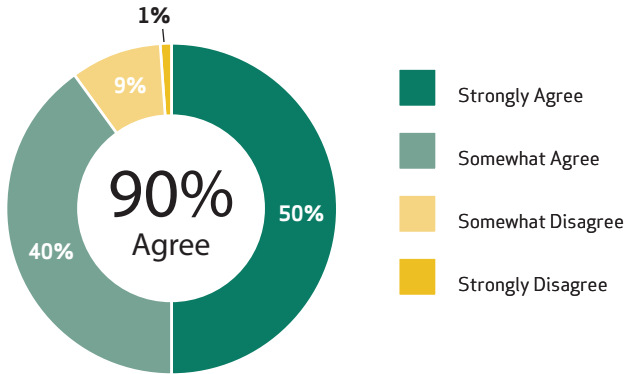
Overall, how satisfied are you with your current job?





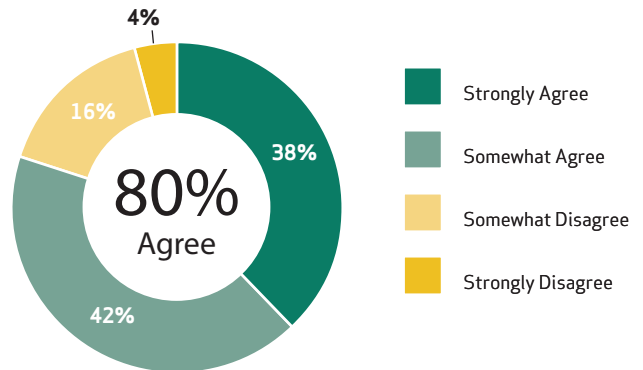
**Figure 61: 90% of Millennial state and local employees say they are committed to serving the public.**

To what extent do you agree or disagree with the following statement: I am committed to serving the public.



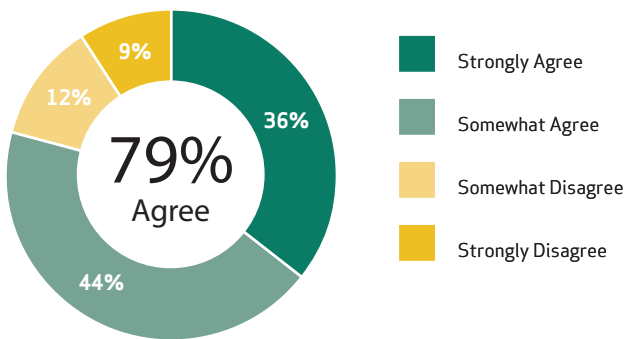
**Figure 62: 80% of Millennial state and local employees say they could earn a higher salary in the private sector.**

To what extent do you agree or disagree with the following statement: I could earn a higher salary working in the private sector.



**Figure 63: 79% of Millennial state and local employees say they would recommend working in the public sector to a young person.**

To what extent do you agree or disagree with the following statement: If a young person inquired about becoming a teacher/working in law enforcement/becoming a firefighter/going into my profession, I would recommend that they pursue it.



Also, this generation finds their total compensation package (salary and benefits) to be competitive (80 percent), which is aligned with the Boomer and GenX cohorts (Figure 64). But, they say that their compensation would be less competitive without a pension (Figure 65).

Millennials in state and local government do not intend to voluntarily leave their position, as a full 85 percent say that they intend to stay with their employer until they are eligible for retirement or can no longer work (Figure 66). Similarly, 83

percent of those hired within the past ten years also say they intend to stay until retirement or can no longer work.

Moreover, nearly all Millennials (97 percent) have a favorable view of pensions (Figure 67). This seems to present clear evidence that benefits provided by state and local employers, particularly pensions, have a magnetic effect on Millennial workers. Millennials also seem to value the features of pensions as compared to 401(k) plans, with 77 percent agreeing that pension plans will be better for maintaining their standard of living in retirement (Figure 68).

Figure 64: **32% of Millennial state and local employees say that their overall compensation package is very competitive.**

Do you think the overall compensation package (including salary, retirement benefits and other benefits) offered by your current employer is competitive with the labor market.

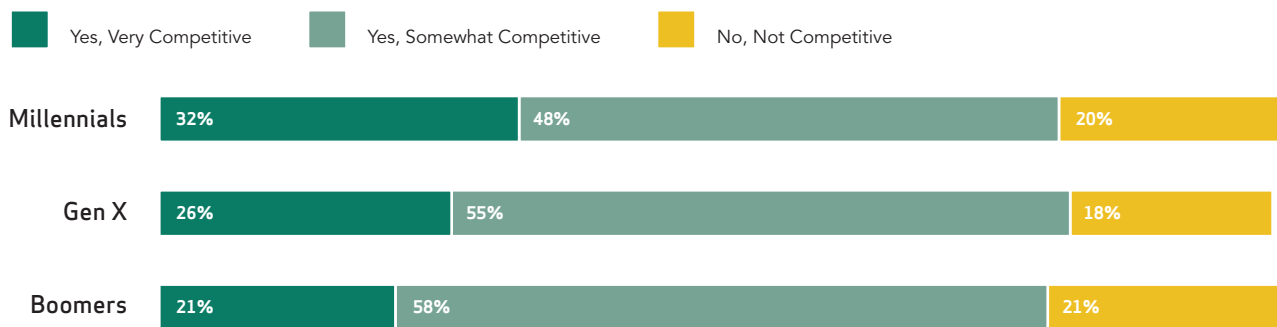


Figure 65: **Only 27% of Millennial state and local employees say a compensation package without a pension is very competitive.**

Do you think the overall compensation package offered by your current employer would be as competitive as it is if it did not include a pension and instead provided a retirement plan where the responsibility was on you to save for retirement.

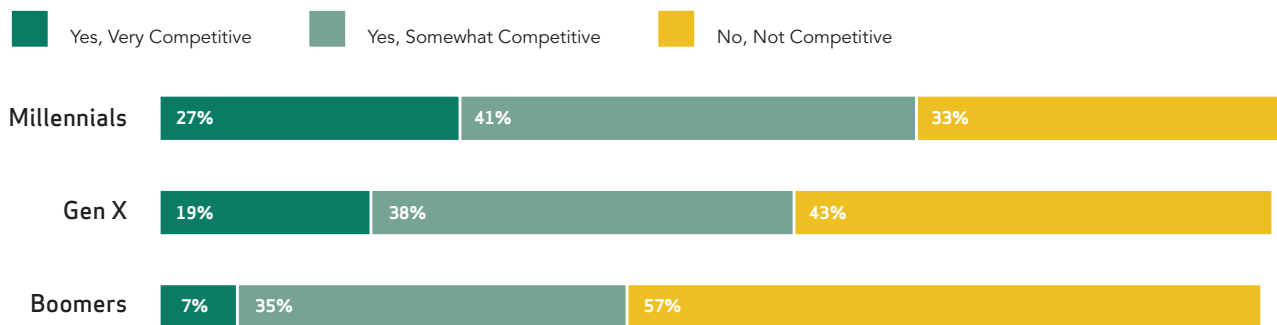


Figure 66: **85% of Millennial state and local employees say they plan to stay with their current employer until they are eligible for retirement or can no longer work.**

Are you planning to stay with your current employer until you are either eligible for retirement or can no longer work?

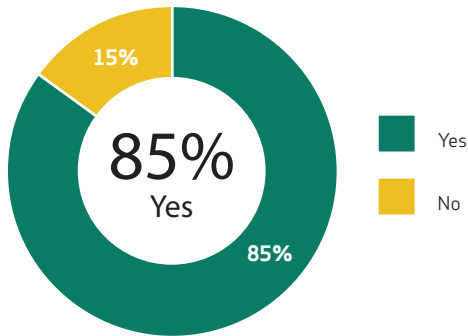


Figure 67: **97% of Millennial state and local employees have favorable views of defined benefit pensions.**

How would you describe your overall view of pensions?

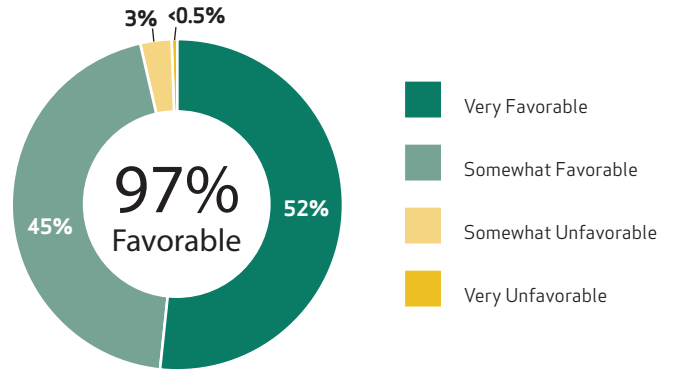
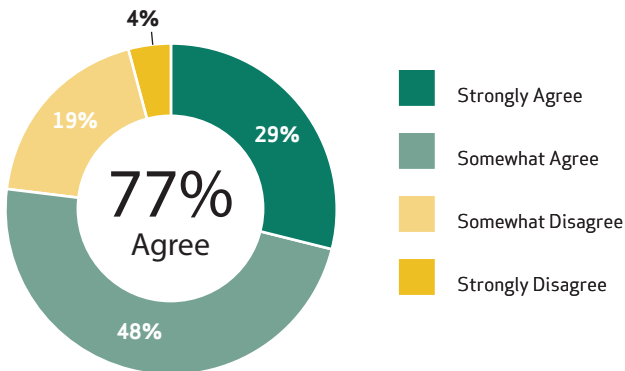


Figure 68: **77% of Millennial state and local employees say a pension is better than a 401(k) for maintaining their standard of living in retirement.**

To what extent do you agree or disagree with the following statement: A pension is better than a 401(k) at maintaining one's standard of living in retirement.

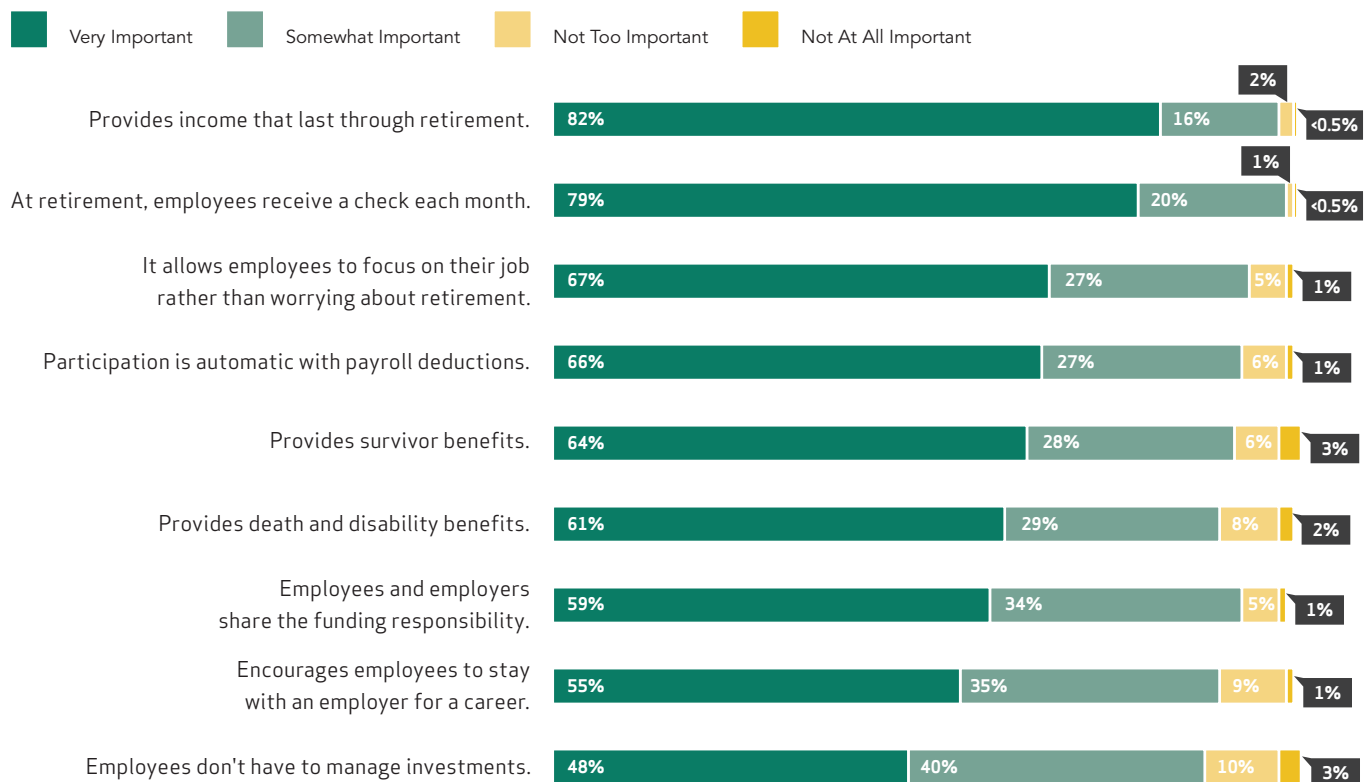


When it comes to the features of pensions, Millennials most value the lasting income, a check each month in retirement, and not having to worry about retirement. Automatic participation also is an important feature, along with survivor benefits, and the shared funding model, among others (Figure 69).

Nearly three-fourths (73 percent) of Millennials also say that a pension is a major reason they chose their job (Figure 70), and this is slightly higher than Gen X and Boomers (both at 70 percent). This makes sense given the dismal retirement outlook for the Millennial generation. Most Millennials have

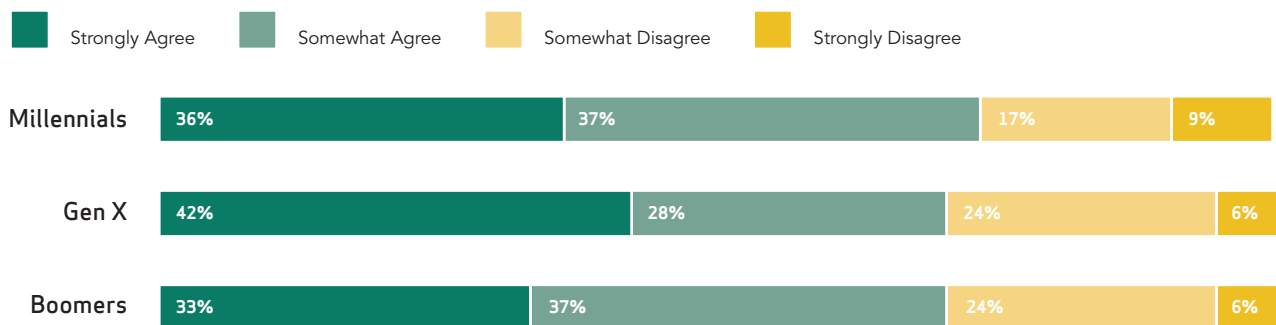
**Figure 69: Lasting income and a monthly check in retirement are the most important features of pensions for Millennial state and local employees.**

How important are these features of pensions?



**Figure 70: 74% of Millennial state and local employees say a pension benefit is a major reason they chose a public sector job.**

To what extent do you agree or disagree with the following statement: A pension benefit is a major reason why I chose a public sector job.

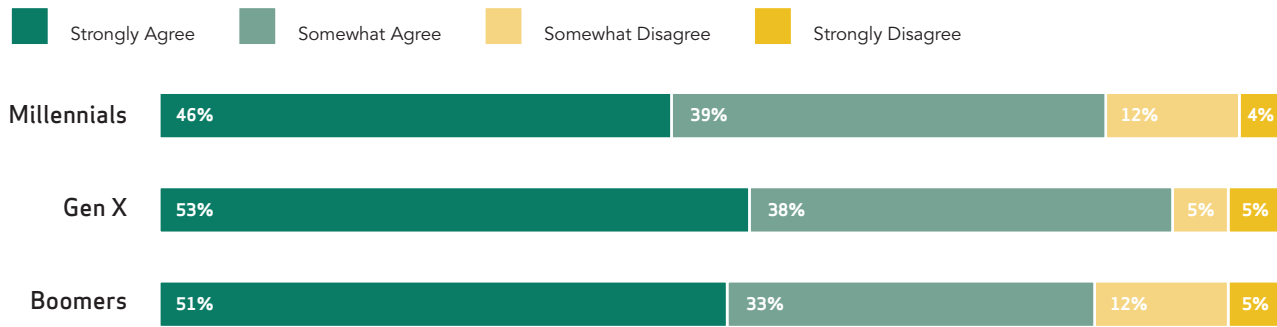


nothing saved for retirement, and those who are saving are not saving nearly enough. Many factors are contributing to this generation's retirement savings challenges—from depressed wages and lack of access to employer retirement plans, to the expectation of high health costs due to cost trends and longer lives.<sup>50</sup> And when it comes to retention, 85 percent say a pension is why they stay, which is fairly aligned with GenX and Boomer state and local employees (Figure 71).

When it comes to switching their pension to an individual 401(k)-style plan, 59 percent of Millennials say this could hasten their exit (Figure 72). But with a pension, 74 percent say they will stay with their state/local employer until they are eligible for retirement or can no longer work (Figure 73). Millennials also have a high degree of confidence that their pension will be there when they arrive at retirement (Figure 74).

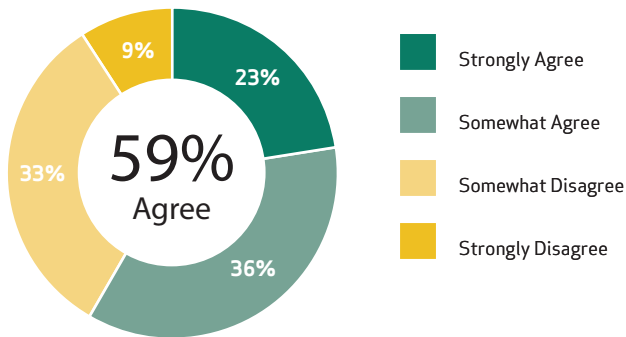
**Figure 71: 84% of Millennial state and local employees say a pension benefit is a major reason why they stay in their jobs.**

To what extent do you agree or disagree with the following statement: A pension benefit is a major reason why I stay in the public sector job I have now.



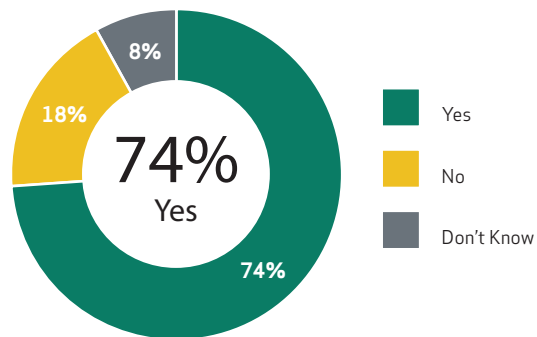
**Figure 72: More than half of Millennial state and local employees say switching out a pension would make them more likely to leave their job.**

To what extent do you agree or disagree with the following statement: If my pension benefit were switched to an individual savings-based account, I would be more likely to leave my job.



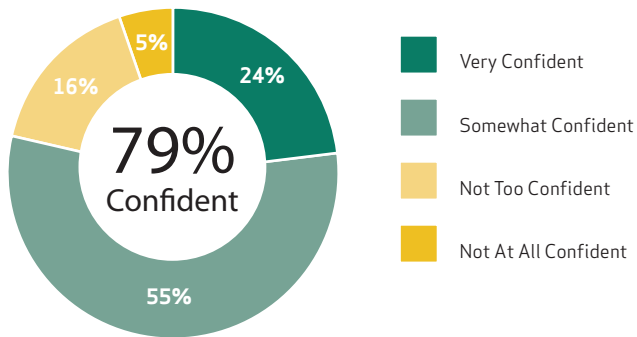
**Figure 73: 74% of Millennial state and local employees say they will stay in their job as long as possible to ensure financial security in retirement.**

Which of the following, if any, do you plan to do to help ensure a financially secure retirement: Stay in your current job to earn a larger retirement benefit.



**Figure 74: 79% of Millennial state and local employees say they are confident their pension will be there when it is time to retire.**

How confident are you that your pension will be there when it is time to retire?



## CONCLUSION

State and local governments face challenges when it comes to competing with the private sector in terms of recruiting and retaining employees to perform crucial job functions that serve the public. These issues have been exacerbated in recent years by increasing retirements, low unemployment levels and growing demands for public sector services.

A key tool that state and local government employers can rely upon to recruit and retain workers is their job benefits. These employees place a higher value on benefits than salary, which

is important because public sector salaries often are lower than the private sector. Policymakers, however, should use caution when modifying these retirement benefits, as such changes could have the unintended consequence of driving employees out the door and consequently harming public services.

We hope that this research will serve as a tool for policymakers and other stakeholders as they grapple with decisions about a public workforce that delivers important services to taxpayers.

## METHODOLOGY

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Conducted by Greenwald & Associates, information for this study was collected from online interviews between August 22 through September 12, 2019. Sample was selected using two online panel providers: Dynata and OpinionRoute. A total of 1,118 public sector employees aged 18 and older completed the survey, including 362 teachers, 284 police officers, 204 firefighters and 268 other public sector employees. All employees surveyed were required to be currently participating in a pension plan at their job.

The final data were weighted by age, gender, and personal income to reflect the demographics within each of these professions according to the Census Bureau's 2018 Annual Social and Economic Supplement to the Current Population Survey. The results were also weighted to reflect the distribution of these professions within the public sector workforce as a whole.



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The National Institute on Retirement Security is a non-profit research and education organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole.

## Our Vision

Through our activities, NIRS seeks to encourage the development of public policies that enhance retirement security in America. Our vision is one of a retirement system that simultaneously meets the needs of employers, employees, and the public interest. That is, one where:

- employers can offer affordable, high quality retirement benefits that help them achieve their human resources goals;
- employees can count on a secure source of retirement income that enables them to maintain a decent living standard after a lifetime of work; and
- the public interest is well-served by retirement systems that are managed in ways that promote fiscal responsibility, economic growth, and responsible stewardship of retirement assets.

## Our Approach

- High-quality research that informs the public debate on retirement policy. The research program focuses on the role and value of defined benefit pension plans for employers, employees, and the public at large. We also conduct research on policy approaches and other innovative strategies to expand broad based retirement security.
- Education programs that disseminate our research findings broadly. NIRS disseminates its research findings to the public, policy makers, and the media by distributing reports, conducting briefings, and participating in conferences and other public forums.
- Outreach to partners and key stakeholders. By building partnerships with other experts in the field of retirement research and with stakeholders that support retirement security, we leverage the impact of our research and education efforts. Our outreach activities also improve the capacity of government agencies, non-profits, the private sector, and others working to promote and expand retirement security.

The **National Institute on Retirement Security** is a non-profit research institute established to contribute to informed policy making by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole. NIRS works to fulfill this mission through research, education, and outreach programs that are national in scope.



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