Annual Survey of Public Pensions: State-Administered Defined Benefit Data Summary Report: 2013

Governments Division Briefs

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INTRODUCTION

This report is part of a continuing series designed to provide information on the structure, function, employment, and finances of the United States' over 90,000 state and local governments. The U.S. Census Bureau produces data quinquennially as part of the Census of Governments (CoG) in years ending in "2" and "7." Additional statistics are produced annually and quarterly during the intercensal period from data collected from a series of surveys. These surveys provide a wealth of information on state and local government employment and financial activity.

This publication presents data on state-administered public pension systems based on information collected from the 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data. 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, 2012, and June 30, 2013 (FY2013),[1] and do not reflect data for the entire calendar year of 2013.

This survey covers the following pension system activities: revenues by state (earnings on investments, employee contributions, government contributions); expenditures by state (benefits, withdrawals, other payments); cash and investment holdings by state (governmental securities, corporate stocks and bonds, foreign and international securities, etc.); membership information by state (number of pension systems, total membership, beneficiaries receiving periodic payments); and liabilities information by state (covered payroll and pension obligations) for state-administered pension systems only.

For Census Bureau statistical purposes, a public-employee pension system is one that is financed by a separate accounting fund of the administering government, excluding pay-as-you-go insurance plans. It must have some type of assured revenue stream or dedicated revenue source other than appropriations from the administering government.

Other criteria exist for membership, such as funding and organization. A pension system's members must consist of current or former public employees who are eligible for inclusion in the employment phase of the CoG. A pension system must have at least one separate identifiable fund within a recognized government unit, and it must be funded completely or partially with public contributions. A pension system must also be recognized as a government unit (as defined by the Census Bureau) that provides revenues, expenditures, financial assets, and membership information for public-employee pension systems.

Each pension system is considered an agency of the corresponding government, but the information in this publication reflects only the pension system portion of revenues, expenditures, and assets.[2]

[1] 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 2013 cover the fiscal year ending August 31, 2013, for Texas and September 30, 2013, for Alabama and Michigan. Throughout this report, all references to years (e.g., 2012 or 2013) refer to fiscal years.

[2] For more information, please refer to the Government Finance and Employment Classification Manual at <www2.census.gov/govs/pubs/classification/2006_classification_manual.pdf>.

U.S. Department of Commerce
Economics and Statistics Administration
U.S. CENSUS BUREAU
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The data and technical documentation for this release can be found at <www.census.gov/govs/state/>.

United States Census Bureau

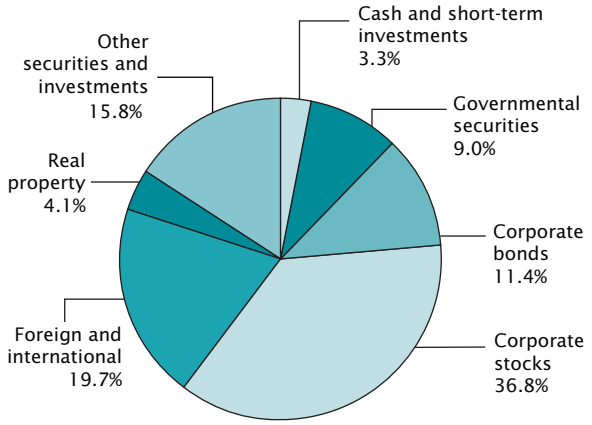
SUMMARY FOR STATE-ADMINISTERED PENSION SYSTEMS

State-administered pension systems showed positive earnings on investments in 2013. Gains on investments totaled $315.9 billion in 2013, 274.0 percent higher than the 2012 earnings, which totaled $84.5 billion. Total holdings and investments for state-administered pension systems grew by 7.8 percent, from $2.5 trillion in 2012 to $2.7 trillion in 2013. Pension systems have substantial investments in financial markets and, consequently, earnings are dependent on change in market performance.[3] Total holdings and investments consist of cash and short-term investments, governmental securities (e.g., U.S. Treasury), nongovernmental securities (e.g., corporate stocks and bonds, foreign and international securities, mortgages, etc.), and other investments (e.g., real property).

Figure 1 the two largest investment categories—corporate stocks and foreign and international securities—comprised over half (56.5 percent) of the total holdings and investments for all state-administered pension systems in 2013. Corporate stocks comprised over one-third of the total holdings and investments (36.8 percent) and foreign and international securities comprised approximately one-fifth of the total (19.7 percent).

Figure 2 shows the five states with the largest amounts of total holdings and investments in 2013 were California, New York, Texas, Ohio, and Florida with $473.9 billion, $254.2 billion, $185.8 billion, $157.7 billion, and $137.2 billion in total holdings and investments, respectively, together comprising 44.3 percent of total holdings and investments. The remaining 45 states had total holdings under $100.0 billion each. Thirteen states had holdings that ranged between $48.0 billion and $95.0 billion, approximately half of the states (23) had holdings that ranged between $10.0 billion and $47.0 billion, and nine states had holdings that were less than $10.0 billion. The average value of total holdings (the total divided by the 50 states) was $54.5 billion in 2013.

Figure 1.
Distribution of Assets: 2013



Note: Some percentages do not sum to 100.0 due to rounding.

Source: U.S. Census Bureau, 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data.

CASH AND INVESTMENT HOLDING FOR STATE-ADMINISTERED PENSION SYSTEMS

Total cash and investment holdings for state-administered pension systems increased by 7.8 percent, from $2.5 trillion in 2012 to $2.7 trillion in 2013. Total cash and investment holdings consist of cash and short-term investments, governmental and nongovernmental securities, and other investments.

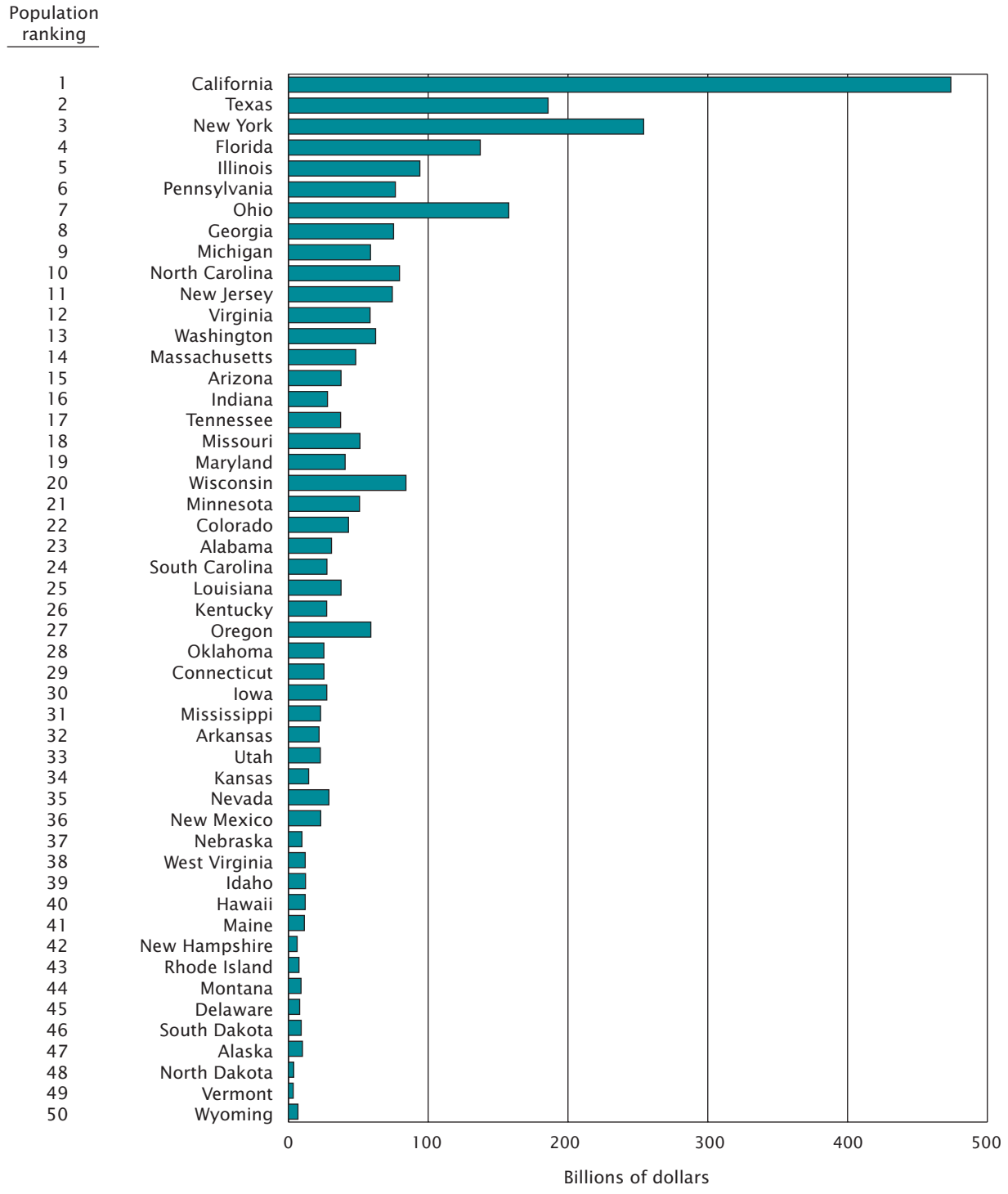
Nongovernmental securities comprised a large majority of the assets—over two-thirds of total holdings in 2013 (73.3 percent). These securities increased by 12.5 percent, from $1.8 trillion in 2012 to $2.0 trillion in 2013. Nongovernmental securities consist of corporate stocks and bonds, foreign and international securities, mortgages, funds held in trust, and other nongovernmental securities, including shares held in mutual funds.

Corporate stocks increased 7.8 percent, from $931.6 billion in 2012 to $1.0 trillion in 2013 (and comprised 36.8 percent of total holdings in 2013). Corporate bonds decreased 0.8 percent, from $314.5 billion in 2012 to $311.9 billion in 2013. Foreign and international securities increased 18.4 percent, from $453.8 billion in 2012 to $537.2 billion in 2013. Corporate stocks and bonds, and foreign and international securities comprised approximately

[3] The total of "net earnings" is a calculated statistic, and thus can be positive or negative. The total of "net earnings" equals the sum of earnings on investments plus gains on investments minus losses on investments. Beginning with the 2002 survey cycle, the Census Bureau changed the reporting of asset valuation from book to market value, consistent with the Governmental Accounting Standards Board Statement No. 34 requirements. This change is reflected in the calculated statistics.

Figure 2.

Population Ranking and Total Cash and Investment Holdings by State: 2013



Source: U.S. Census Bureau, 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data and Annual Estimates of the Population for the United States, Regions, States, and Puerto Rico: April 1, 2012, to July 1, 2013, (NST-EST2013-01).

two-thirds of total holdings at 68.0 percent in 2013. Governmental securities decreased by 4.2 percent, from $254.6 billion in 2012 to $244.0 billion in 2013 (and comprised 9.0 percent of total holdings in 2013). Governmental securities include obligations of the U.S. Treasury, federal agency securities, and state and local government securities. Other investments decreased by 5.3 percent, from $416.6 billion in 2012 to $394.4 billion in 2013 (and comprised 14.5 percent of total holdings in 2013). Other investments consist of real property and miscellaneous investments, such as venture capital, partnerships, real estate investment trusts, and leveraged buyouts. Cash and short-term investments increased by 7.7 percent, from $82.5 billion in 2012 to $88.8 billion in 2013 (and comprised 3.3 percent of total holdings in 2013). Cash and short-term investments include cash and demand deposits, time and savings deposits, and nonfederal short-term investments.

There were year-to-year decreases in U.S. Treasury securities, federal agency securities, corporate bonds, mortgages, and miscellaneous investments. These five categories combined comprised almost one-third of total holdings in 2013 (31.1 percent). The largest of these five categories was corporate bonds, which comprised 11.4 percent of total holdings in 2013. U.S. Treasury securities decreased 2.8 percent, from $157.4 billion in 2012 to $153.0 billion in 2013. Federal agency securities decreased 6.9 percent, from $96.5 billion in 2012 to $89.8 billion in 2013. Corporate bonds decreased 0.8 percent, from $314.5 billion in 2012 to $311.9 billion in 2013. Mortgages decreased 13.6 percent, from $9.6 billion in 2012 to $8.3 billion in 2013. Miscellaneous investments decreased 8.6 percent, from $310.5 billion in 2012 to $283.9 billion in 2013. See Figure 3.

REVENUE FOR STATE-ADMINISTERED PENSION SYSTEMS

Total revenue for state-administered pension systems was $433.5 billion in 2013, with employee and government contributions comprising 27.1 percent of total revenue (8.6 percent and 18.5 percent, respectively), and with the remaining 72.9 percent of the total comprised of earnings on investments. See Figure 4.

Earnings on investments, which include both realized and unrealized net gains and losses on investments, showed positive earnings in 2013. Earnings on investments totaled $315.9 billion in 2013, 274.0 percent higher than the 2012 earnings, which totaled $84.5 billion. Pension systems have substantial investments in financial markets and, consequently, earnings are dependent on changes in market performance.

Total contributions for state-administered pension systems increased 6.5 percent, from $110.4 billion in 2012 to $117.6 billion in 2013. Total contributions are comprised of employee contributions and government contributions. Employee contributions increased 4.1 percent, from $35.9 billion in 2012 to $37.4 billion in 2013 (and comprised 31.8 percent of total contributions in 2013). Government contributions increased 7.7 percent, from $74.5 billion in 2012 to $80.2 billion in 2013 (and comprised 68.2 percent of total contributions in 2013). Government contributions outweighed employee contributions with a 2.1 to 1 ratio of total contributions.

Government contributions for state-administered pension systems come from both state government contributions and local government contributions. Total state government contributions increased 7.8 percent, from $41.8 billion in 2012 to $45.1 billion in 2013 (and comprised 56.3 percent of total government contributions in 2013). Local government contributions increased by 7.5 percent, from $32.6 billion in 2012 to $35.1 billion in 2013 (and comprised 43.7 percent of total contributions in 2013).

EXPENDITURES FOR STATE-ADMINISTERED PENSION SYSTEMS

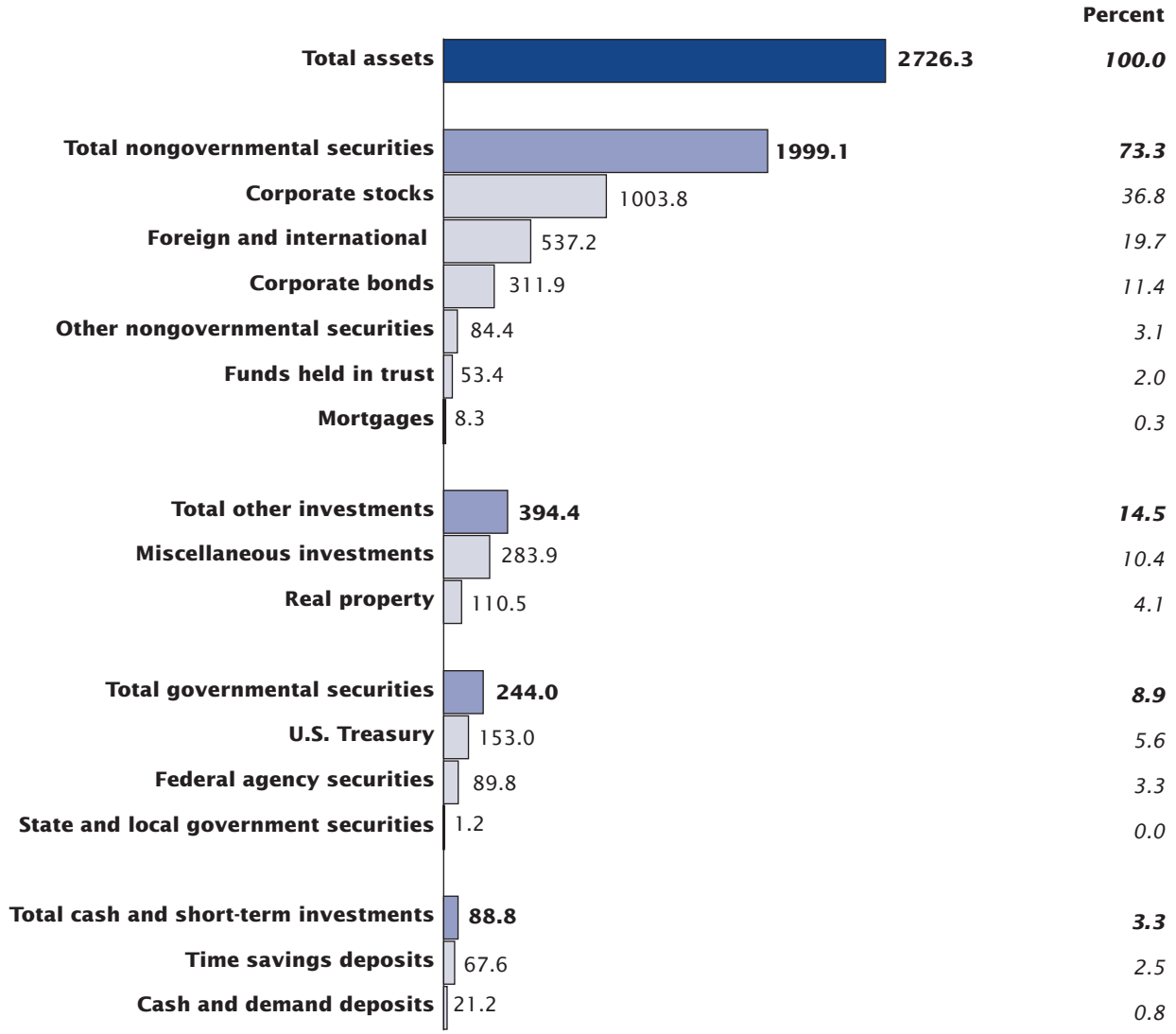
Total payments for state-administered pension systems increased by 7.3 percent, from $201.4 billion in 2012 to $216.0 billion in 2013. The increase in total payments was driven by an increase in benefit payments, which comprised 92.2 percent of total payments in 2013. Benefit payments increased by 6.9 percent, from $186.2 billion in 2012 to $199.1 billion in 2013. Withdrawals increased 11.0 percent, from $4.1 billion in 2012 to $4.5 billion in 2013 (and comprised 2.1 percent of total payments in 2013). Other payments, which include administrative expenses such as investment fees, increased 11.6 percent, from $11.1 billion in 2012 to $12.4 billion in 2013 (and comprised 5.7 percent of total payments in 2013).

The average annual benefit payment for state-administered pensions (total benefit payments divided by the number of beneficiaries) for the United States was $25,162 in 2013. The state with the highest average annual benefit payment from state-administered pensions in 2013 was Connecticut

Figure 3.

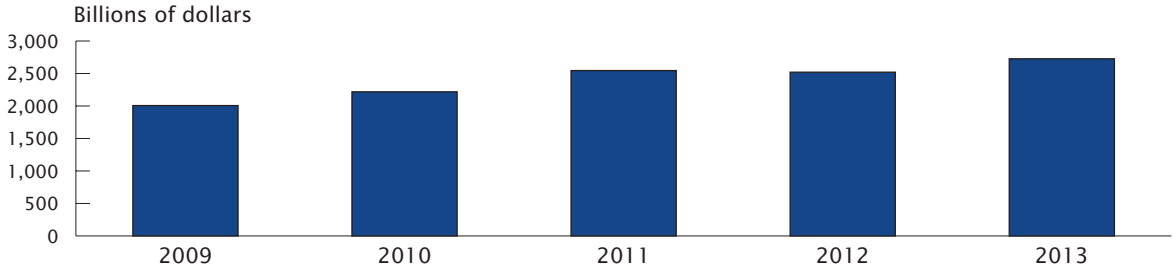
Comparison of Asset Valuation by Category and Year: 2013

Billions of dollars



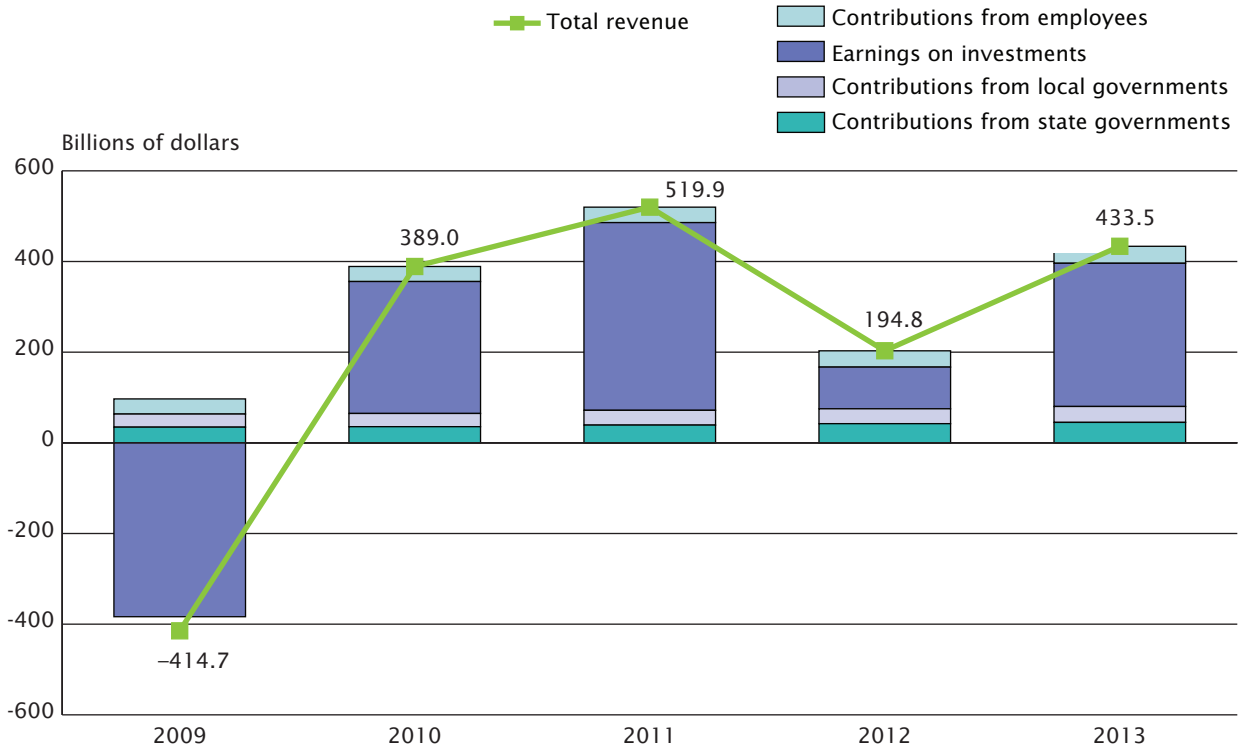
Note: Percentages may not sum to total due to rounding.
Source: U.S. Census Bureau, 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data.

Comparison of Total Assets by Year: 2009 Through 2013



Source: U.S. Census Bureau, 2012 Census of Governments: Finance—Survey of Public Pensions: State-Administered Defined Benefit Data and 2009–2011, 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data.

Figure 4.
Components of Revenue for Public Pension Systems: 2009–2013



Source: U.S. Census Bureau, 2012 Census of Governments: Finance—Survey of Public Pensions: State-Administered Defined Benefit Data and 2009–2011, 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data.

(averaging $39,172 annually). Connecticut was one of seven states with average annual benefit payments above $30,000. The other six states were Colorado, Rhode Island, California, Massachusetts, Nevada, and New Jersey. At the other end of the spectrum, the state with the lowest average annual benefit payment from state-administered pensions in 2013 was North Dakota (averaging $14,842 annually). North Dakota was one of 17 states with average annual benefit payments below $20,000. See Figure 5 for state average annual benefit payments.

MEMBERSHIP AND LIABILITIES INFORMATION FOR STATE-ADMINISTERED PENSION SYSTEMS

Total membership for state-administered pension systems decreased by 0.1 percent, from 17,544,912 members in 2012 to 17,525,195 members in 2013. For 2013, there were 227 state-administered pension systems in the United States. The four states with the most state-administered pension systems were Louisiana (14 systems), Massachusetts (14 systems), Georgia (10 systems), and Missouri (10 systems). The remaining 46 states had fewer than 10 systems each. There were 10 states with only one state-administered pension system: Delaware, Florida, Hawaii, Kansas, Maine, Oregon, Tennessee, Virginia, West Virginia, and Wisconsin.

While the number of pension systems varies greatly across states, it is not a good indicator of actual membership. The states with the most members were California (1,898,023), Texas (1,598,702), Ohio (1,258,759), and New York (920,902). These same states also had the most beneficiaries, though they ranked somewhat differently: California (907,892), New York (566,257), Texas (536,364), and Ohio (429,203). These data are for state-administered pension systems only and do not include membership data for locally-administered pension systems.

Total beneficiaries receiving periodic benefit payments, which includes retirees and survivors of deceased retirees, increased 3.8 percent, from 7,622,748 beneficiaries in 2012 to 7,912,924 beneficiaries in 2013. Figure 6 shows the ratio of active members

(current contributors to the pension systems) to beneficiaries (those who are receiving periodic benefit payments) was 1.6 to 1 for the United States (12,515,506 active members and 7,912,924 beneficiaries); meaning that for every beneficiary receiving periodic benefit payments there were almost twice as many contributors paying into pension systems in 2013.

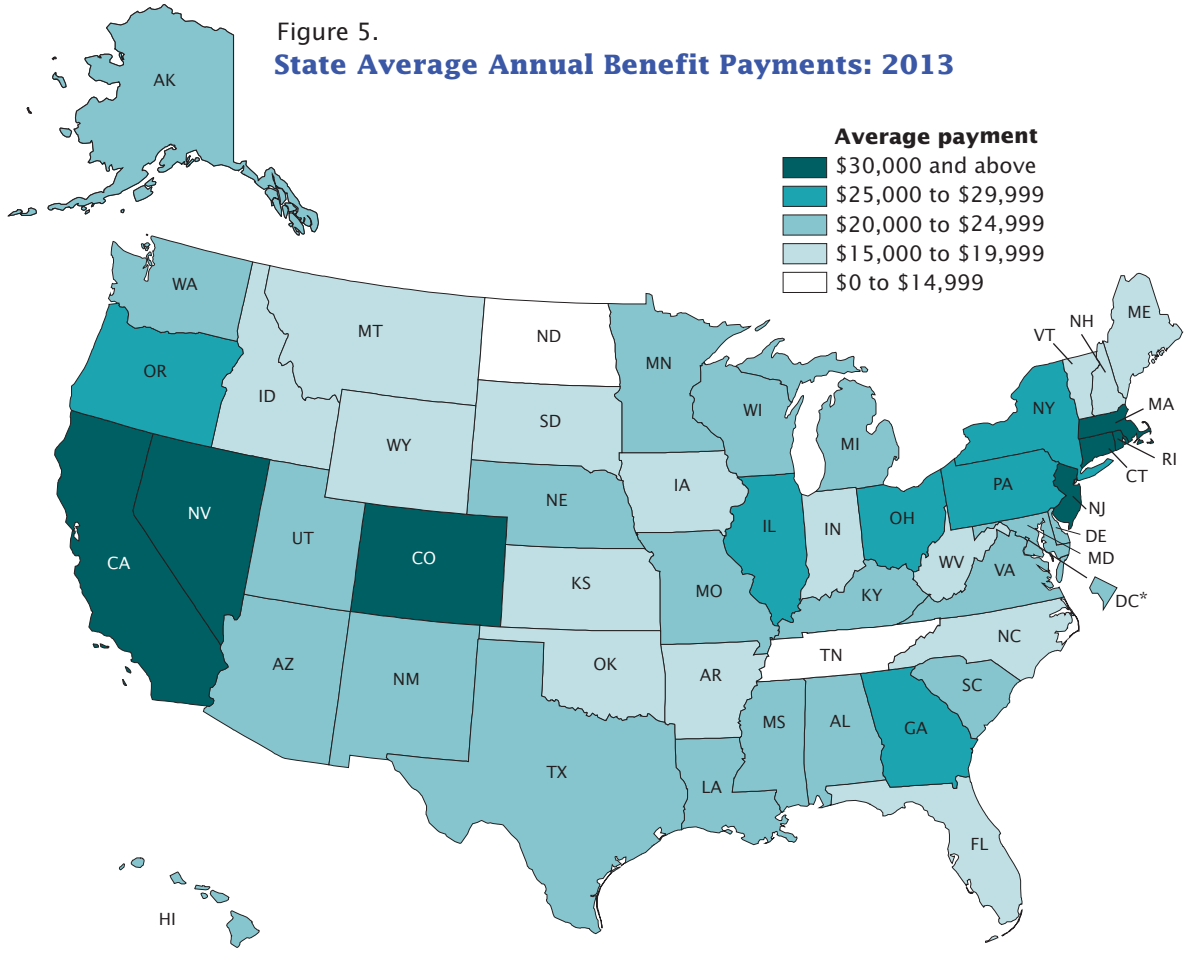
The states with the highest ratios of current contributors to beneficiaries were Nebraska with a 2.7 to 1 ratio (57,698 active members and 21,638 beneficiaries) and a 2.5 to 1 ratio in Texas (1,333,662 active members and 536,364 beneficiaries). The states with the lowest ratios were Alaska and Michigan with a 0.8 to 1 ratio in Alaska (34,607 active members and 41,613 beneficiaries) and a 0.9 to 1 ratio in Michigan (267,490 active members and 293,987 beneficiaries).

SOURCE AND ACCURACY OF THE DATA

The 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data is a census of all 227 state government pension systems with defined benefit plans. For the purpose of Census Bureau statistics, the term "state government" refers not only to the executive, legislative, and judicial branches of a given state, but it also includes agencies, institutions, commissions, and public authorities that operate separately or somewhat autonomously from the central state government, but where the state government maintains administrative or fiscal control over their activities, as defined by the Census Bureau.

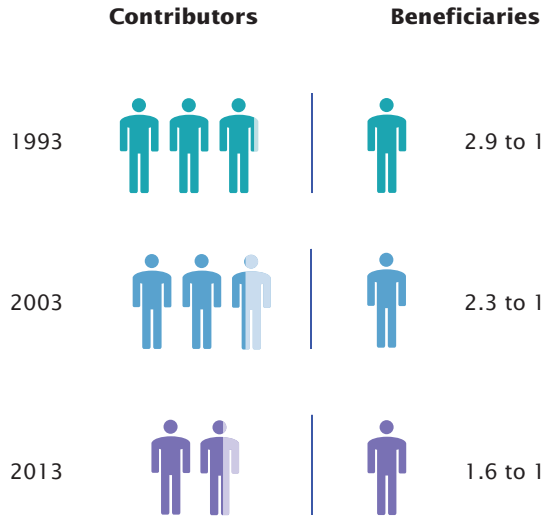
Pension systems were only included if they met the following two criteria: (1) they were sponsored by a recognized unit of government as defined by

Figure 5.
State Average Annual Benefit Payments: 2013



Source: U.S. Census Bureau, 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data.

Figure 6.
Ratio of Current Contributors to Beneficiaries Receiving Periodic Benefit Payments of State-Administered Pension Systems: 1993, 2003, 2013



Source: U.S. Census Bureau, 1993, 2003, and 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data.

DID YOU KNOW?

The average annual benefit payment for state-administered pension systems for the United States was $25,162.

Source: U.S. Census Bureau, 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data.

the Census Bureau and (2) their membership was comprised of public employees compensated with public funds.

Because all 227 state government pension systems are included, these data are not subject to sampling error or any sampling variability. The Census Bureau collects these data by law under Title 13, U.S. Code, Sections 161 and 182.

LIMITATIONS OF THE DATA

Effective with the 2012 survey, the survey form was revised to implement changes in asset classification. These changes apply to the categories designated as corporate stocks, corporate bonds, federal government securities, state and local securities, and other securities. Federally-sponsored agency securities are classified under federal government securities instead of corporate bonds. Private equity, venture capital, and leverage buyouts are classified under corporate stocks instead of other securities.

Due to these changes in asset classification, there are shifts in the distribution of assets from corporate bonds to federal government securities and from other securities to corporate stocks. However, since investment decisions guide the distribution of assets, we cannot calculate the exact impact that the changes in classification had on the asset distribution for 2012. As such, for the above mentioned categories, any data comparisons between 2012 or 2013 and prior years should be done with caution.

NONSAMPLING ERROR

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.

While the data records are ultimately from state pension sources, the classification of finances among the different categories is entirely the responsibility of the Census Bureau. Therefore, classification might not reflect the actual classification or presentation as requested by the various state pension respondents or what is presented in a state pension system's own financial statements.

Although the original sources for pension statistics are accounting records of governments, the data derived from them are purely statistical in nature. Consequently, the Census Bureau's statistics on government pensions cannot be used as financial statements or to measure a pension system's fiscal condition.

The Census Bureau develops these data to measure the economic activity of state and local governments in general. The definitions used in Census Bureau statistics about governments can vary considerably from definitions applied in standard accounting reports.

OVERALL UNIT RESPONSE RATE

The unit response rate for the 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data was 100.0 percent. The response rate was

calculated as the number of responses received divided by the number of parent governments mailed minus the number of governments that were determined to be out of scope.

TOTAL QUANTITY RESPONSE RATE

The total quantity response rate to the 2013 Annual Survey of Public Pensions: State-Administered Defined Benefit Data was 100.0 percent. The total quantity response rate was calculated as the value of "total holdings and investments" reported divided by the estimated total value of "total holdings and investments" of those units mailed minus those systems that were determined to be out of scope.

CONTACT INFORMATION

For additional information on state government pensions data, please visit us at <www.census.gov /govs/retire/state_retire.html>. Please contact the Employment and Benefit Statistics Branch at 888-529-1963 (toll free) or e-mail <govs.pensions@census.gov> with any inquiries about the data.