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NCPERS Message

NCPERS 2024 Public Retirement Systems Study: Trends in Fiscal, Operational, and Business Practices

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For the past 13 years, NCPERS has conducted its annual Public Retirement Systems Study to gather the most current available data on funds' fiscal, operational, and business practices. Nearly 160 public retirement funds with more than 13.8 million active and retired members participated in the most recent study, which was conducted from September to December 2023.

Next month, NCPERS will host a webinar where we'll discuss the methodology and share key insights from the soon-to-be released 2024 Public Retirement Systems Study. Register now to join the conversation and learn about the latest trends in public retirement benefits administration. The full results of the study will also be made available exclusively to NCPERS members via an interactive dashboard, allowing users to filter data for more relevant peer-to-peer benchmarking.

The preliminary analysis of NCPERS 2024 Public Retirement Systems Study data shows that the overall average expense to administer funds and pay investment fees decreased year over year to 56 basis points (down from 64 basis points). It's worth noting the data is based on reporting funds' most recent CAFR, so the data represents varying fiscal years.

Surveyed funds were asked to rate on a 10-point scale their readiness to address retirement trends and issues over the next two years. The results indicate an increase in fund confidence compared to the year prior. Despite this increase, market volatility and global economic uncertainty remain a challenge. Thus public pensions continue to tighten assumptions. Responding funds' aggregate discount rate was 6.91 percent, and the average amortization period was 20.4 years—a reduction of 0.4 years from the most recent study. In terms of sources of funding of public pensions, in the aggregate for every dollar of pension benefit paid, 63 cents are attributable to investment returns, 28 cents are from plan sponsor contributions, and nine cents are from employee contributions.

NCPERS conducts its Public Retirement Systems Study annually because public pensions are long-term investors who operate in complex environments. Funding ratios and investment returns rarely tell the whole story, so it's crucial to regularly benchmark overall fiscal and operational performance. There are new methods available to assess the health of public pensions, and having a clear understanding of the datapoints surrounding your fund can help you better educate policymakers, the public, and plan participants.

We hope you'll join us for next month's webinar to learn more about the 2024 Public Retirement Systems Study results. The full report and accompanying dashboard will be released in the coming weeks, and we hope they serve as valuable tools in understanding how your fund's fiscal and operational performance measures up. ◆

In This Issue

2024 Outlook: What's Next for High Yield?

By: Brian Pacheco, Barings

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Against a backdrop of heightened uncertainty, what has surprised you most about high yield over the past year?

One of the biggest surprises this year has been the strong performance across the high yield bond and loan markets. While that was partly due to high yield's shorter duration/lower interest rate sensitivity, it was also a result of the lack of negative catalysts. As we expected, the wave of defaults that some were anticipating at the start of the year have not transpired. At the same time, downgrades have been manageable. The big question, of course, is can the strength continue if the macro picture starts to worsen?

What is your view of the credit quality in high yield bonds and loans?

With 2023 having been a relatively benign year for defaults, some analysts are still predicting draconian default rates and widespread investor losses in the next 12 to 18 months. However, that's not our base case scenario for a few key reasons. First, if a recession or a sharp slowdown were to occur, it would be one of the most anticipated downturns in history. Since markets are forward-looking, they have already priced in a downturn such that most credits likely to default over the next 12 to 18 months are already trading at steep discounts to par—and the high yields currently on offer should help absorb any defaults that do materialize.

One of the biggest surprises this year has been the strong performance across the high yield bond and loan markets.

At the same time, the quality of the high yield market has improved significantly over the last decade. BBs, for example, now represent around half of the market, up from 40% a decade ago. CCCs, which have the highest risk of default, now account for only 10% of the market versus more than 20% after the financial crisis.[1]

Looking ahead over the next year, what areas look most attractive?

With yields across the high yield market remaining at elevated levels versus much of the period following the Global Financial Crisis, there is no need to "stretch for yield" by taking on additional credit risk. In particular, we see select opportunities in high-spread, yield-to-takeout trades, in which there are near- to medium-term maturities and where the borrower has liquidity levers or secured capacity—essentially, multiple ways to refinance. In BBs and high-quality single Bs, we look for catalysts for spread tightening, which could be earnings momentum or upgrade potential due to improving fundamentals. Meanwhile, in the loans market, there is considerable carry.

What do you see as the biggest risks to high yield today and tomorrow?

While we're not too concerned about the high yield market overall given the default rate math and elevated yields, what's different about this cycle is the poor creditor protection in recent-vintage loans and how companies and sponsors are finding creative ways to exploit gaps. Being caught on the wrong side of liability management worries us, and while there are ways to mitigate the risks, none is foolproof.

> *There is simply too much income available right now to wait because buying opportunities like this don't typically last very long.*

At the same time, there is a risk in sitting on the sidelines and trying to time things perfectly. There is simply too much income available right now to wait because buying opportunities like this don't typically last very long. But given the uncertainties on the horizon, we believe that a bottom-up approach to investing remains crucial to both avoiding additional downside and identifying issuers that can withstand the challenges ahead. ◆

__Brian Pacheco__, Portfolio Manager, Global High Yield, is a member of Barings' U.S. High Yield Investments Group, responsible for portfolio management for multi-asset credit, high yield bond and senior secured loan strategies. Prior to his current role, Brian was the sector head for commodities and provided lead research coverage of the exploration and production and oilfield services segments within the energy industry. Brian has worked in the financial sector since 2000. Prior to joining Barings in 2018, Brian held senior investment analyst roles at UBS O'Connor LLC, Bardin Hill Investment Partners and Chicago Fundamental Investment Partners. Before transitioning to the buy-side, Brian was employed by J.P. Morgan in both leveraged finance and industry coverage. Brian is a member of the CFA Institute and holds a BBA in Finance from the University of Massachusetts at Amherst and an MBA from the University of Chicago Booth School of Business.

Endnotes:

1 *Source: Bank of America. As of September 29, 2023.*

Don't Wait for Goldilocks: Riding the Curve in Fixed Income

By: Janet Rilling, Daniel Sarnowski, and George Bory, Allspring Global Investments

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Key Takeaways:

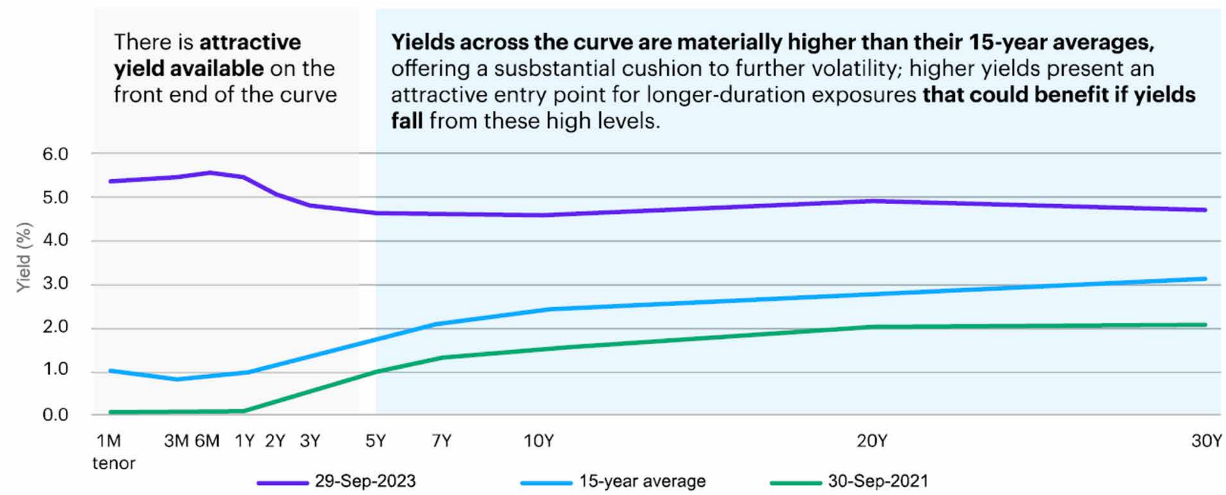
- **Prepare for different outcomes.** Fixed income markets remain unsettled. Taking a measured approach to allocating across the yield curve, or "Riding the Curve," may help investors enhance the ballast of their portfolios and position for different economic environments and outcomes.
- **Diversify duration exposures.** Yield curves have steepened recently, bringing longer-maturity yields more in line with those found on the front end of the curve—offering an attractive entry point for adding duration across the yield curve.
- **Don't wait.** The opportunity cost for investors waiting for a "Goldilocks moment" to add duration has risen of late. In prior periods, those who waited to increase duration significantly underperformed those who diversified.

Preparing for a range of outcomes

Investors face a highly uncertain future. We believe this requires preparation for a range of outcomes, rather than placing a single "bet" on a shift to a specific set of conditions. We see value in adding a broad mix of duration exposure, or "Riding the Curve" to prepare for a wide range of possible outcomes at this point in the economic cycle. Creating a more diversified portfolio ballast through adding duration in small increments along the yield curve may offer a better approach than solely targeting the long end of the curve.

Yields are currently at multiple-year highs across the yield curve. For example, yields at the front end of the yield curve are at their highest point in over 20 years. Nearly every spot along the curve is at the highest point in more than 15 years and well above its 15-year average (Exhibit 1). This higher level of income forms the basis for the total returns bond portfolios may generate over the coming years and may leave bond investors in a more advantageous position than nearly any time since the Global Financial Crisis.

Exhibit 1: Riding the Curve Offers Several Advantages



Source: Bloomberg L.P. As of 29-Sep-23.

By diversifying exposures across the yield curve, investors can position for different economic outcomes. If yields decline and the yield curve normalizes, then bond prices would rise, helping boost total returns. However, if bond yields were to rise, then current yields would likely provide a significant "volatility cushion" against lower bond prices (Exhibit 2).

Exhibit 2: Current Yields Provide a Generous Buffer Against Future Volatility

	Short duration	U.S. Aggregate	Municipal
Yield breakeven[1] (basis points)	**302**	**89**	**68**
Last time yield breakeven was this high	2007	2009	2000

Source: Bloomberg. 1. Yield breakeven = amount yields can rise (in bps) without generating a negative total return over a one-year holding period. Short duration = Bloomberg 1–3 Year Gov/Credit (LGC3TRUU Index), U.S. Aggregate = Bloomberg U.S. Aggregate (LBUSTRUU Index), Municipal = Bloomberg Municipal (LMBITR Index). As of 29-Sep-23.

Source: Bloomberg. 1. Yield breakeven = amount yields can rise (in bps) without generating a negative total return over a one-year holding period. Short duration = Bloomberg 1-3 Year Gov/Credit (LG3TRUU Index), U.S. Aggregate = Bloomberg U.S. Aggregate (LUSTRUU Index), Municipal = Bloomberg Municipal (LMBITR Index). As of 29-Sep-23.

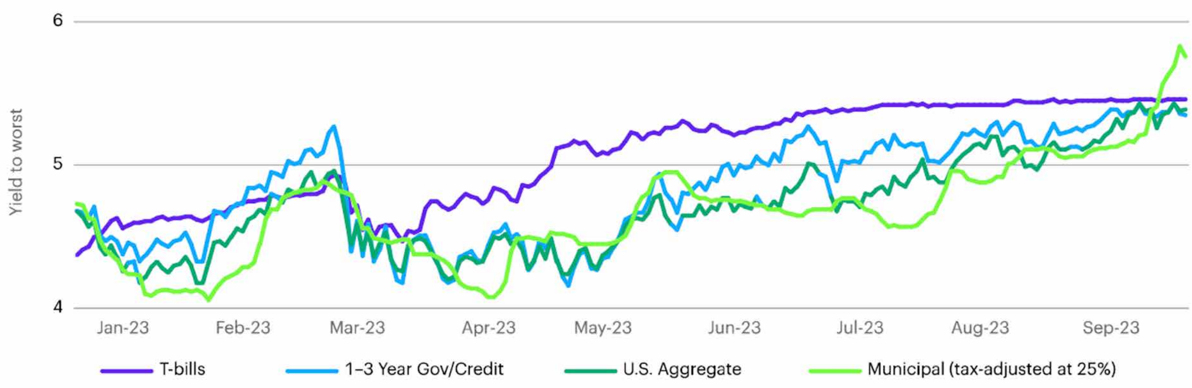
The falling opportunity cost of diversifying across a steepened yield curve

Making a significant shift in portfolio duration at the optimal time can be very difficult, and making such a move during a period of economic stress can be even more challenging. Allocating across duration exposures may offer a better approach where there can be diversification and return benefits as the curve normalizes.

It may also help reduce the inertia that can lead to suboptimal investment returns. As yield curves have steepened recently, longer-maturity yields are now more in line with those found on the front end of the curve. This has reduced the relative yield cost investors may be willing to give up to diversify their duration exposures (Exhibit 3), creating a potentially compelling entry point. Curve steepening has also occurred in the municipal bond market, offering investors the opportunity to capture the highest tax-exempt yields since 2009.

As yield curves have steepened recently, longer-maturity yields are now more in line with those found on the front end of the curve.

Exhibit 3: Lower Cost of Diversification



Source: Bloomberg. T-bills = Bloomberg U.S. Treasury Bills (LD20TRUU Index), 1-3 Year Gov/Credit = Bloomberg 1-3 Year Gov/Credit (LGC3TRUU Index), U.S. Aggregate = Bloomberg U.S. Aggregate (LBUSTRUU Index), Municipal = Bloomberg Municipal (LMBITR Index). Municipal yield to worst is adjusted for 25% federal tax rate. As of 29-Sep-23.

The rising opportunity cost of waiting for Goldilocks

Attempting to time the market is always difficult, and the inflection points that offer the optimal catalyst for change are often best identified in the rearview mirror. In prior periods of monetary policy transition, investors who waited for a "Goldilocks moment" to make a substantial shift in their duration positioning incurred significant opportunity costs and realized returns approximately 58% lower on average than those with a diversified duration portfolio during the period of transition (Exhibit 4). Data also shows that industry-wide money market fund (MMF) assets continued to climb during these periods even as the Federal Reserve (Fed) cut rates (Exhibit 4).

Exhibit 4: Returns During Transitionary Periods in Monetary Policy

Transitionary period[1] in monetary policy	31-Oct-94 to 31-Jan-96	20-Jan-00 to 25-Jun-03	28-Jun-06 to 16-Dec-08	05-Oct-18 to 16-Mar-20
Total returns for cash-only[2] investors (%)	7.38	14.01	11.27	3.73
Total returns for diversified investors[3] (%)	16.91	32.62	20.88	13.48
Opportunity cost (return difference) for cash-only investors	**56% less**	**57% less**	**46% less**	**72% less**
Growth in MMF assets while the Fed was cutting the federal funds rate	11%	9%	34%	29%

Sources: Allspring, iMoneyNet, and Bloomberg L.P. Data as of 29-Sep-23. 1. Transitionary period = peak of 10-year U.S. Treasury yield until last cut to the federal funds rate for the period. 2. Cash-only investors are represented by the Bloomberg U.S. Treasury Bills 3-6 Month (LD21TRUU Index). 3. Diversified investors are represented by an allocation of 25% portfolio value in each of the following four indexes: Bloomberg U.S. Treasury Bills 3-6 Month (LD21TRUU Index), Bloomberg U.S. 1-3 Year Gov/Credit (LGC3TRUU Index), Bloomberg U.S. Aggregate (LBUSTRUU Index), and ICE BofA Current 10-Year Treasury (GA10 Index).

Potential benefits of "Riding the Curve"

Preparing your portfolio for a broader range of outcomes. A "soft landing" scenario has become more widely accepted by investors throughout 2023, but history tells us that monetary policy cycles often meet a more abrupt end and the benefit of being prepared ahead of time for bond investors can be significant.

Diversifying your exposures. By staking positions across the yield curve, investors can diversify their portfolio and may increase the number of environments in which the portfolio can thrive.

Increasing the volatility buffer afforded through positive real yields. Yield and credit spread volatility may persist as the impact of higher rates flows through the economy. Yield breakeven points are high across the curve, affording investors the biggest cushion for volatility in more than 15 years. ◆

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Daniel (Danny) Sarnowski *is a portfolio specialist for the Plus Fixed Income team at Allspring Global Investments. In this role, he serves as the primary investment contact on accounts and works closely with portfolio managers and sales team members. He joined Allspring from its predecessor firm, Wells Fargo Asset Management (WFAM). Prior to his current role, Danny served as a key accounts manager for WFAM's Liquidity Solutions team. He was responsible for the distribution of institutional money market funds and ultra-short-term fixed income funds. Previous roles include managing sales and service teams within the retail intermediary and former direct-to-fund businesses for Wells Fargo Funds Distributor, LLC, and serving as a preferred client specialist at Strong Capital Management.*

George Bory, CFA*, is the chief investment strategist for Fixed Income at Allspring Global Investments. In this role, he is responsible for partnering across the fixed income platform to help each team set investment strategies for our full range of products and collaborating with clients to identify appropriate investment strategies. In addition, he leads the Fixed Income team of portfolio specialists and serves as a portfolio specialist for the Global High Yield team. George joined Allspring from its predecessor firm, Wells Fargo Asset Management (WFAM). Prior to joining WFAM, he served as head of fixed income research for Wells Fargo Securities and earlier served as the head of credit strategy. Before that, George was the global head of credit strategy for UBS Securities. Previous roles include working for J.P. Morgan Investment Management, where George held several positions, including senior global credit portfolio manager.*

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Public Pension Oversimplification Can Complicate Things Quickly

By: Daniel J. Siblik, Segal

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It's not breaking news that some journalists use a "hot take" approach when covering public pensions to create a splashy summary that glosses over details and roughly hits whatever mark is aimed at.

Public pension plans are frequently lumped together, often at a national level. They may also be broken out by state, but even that can be somewhat inaccurate. As a result, many plans get painted negatively with a broad brush.

For example, a Google search for "public pension plans time bomb" might yield results like these:

- "Time Bomb of Public Pension Funding Ticks Louder" (*Bloomberg*)
- "US Pension Plans Are on the Brink of Implosion – And Wall Street Is Ignoring It" (*The Guardian*)
- "Ticking Time Bomb: The Impending Collapse of The Pension System" (*Epicenter*) Oh no worries, this one is only about Europe.

Aggregation at a State Level

Pew Charitable Trusts summarizes plans and gives total liabilities, assets and resulting funded percentages (assets over liabilities) by state. Overall, Pew shows states ranging from 44% to 119% funded for 2021 (the most recent year summarized.

> *Public pension plans are frequently lumped together, often at a national level.*

For some states, many plans are summed. For others, just one. A state may have a funded percentage of 80% but contain nine individual plans ranging from 25% to 101%. The overall average of 80% is a weighted average, but still paints an overly simplistic picture.

State	Funded %	#of Plans	State	Funded %	#of Plans	State	Funded %	#of Plans	State	Funded %	#of Plans
ALABAMA	75%	3	INDIANA	80%	9	NEBRASKA	111%	5	SOUTH CAROLINA	62%	5
ALASKA	81%	4	IOWA	101%	3	NEVADA	87%	3	SOUTH DAKOTA	106%	1
ARIZONA	74%	4	KANSAS	76%	1	NEW HAMPSHIRE	72%	2	TENNESSEE	114%	3
ARKANSAS	91%	5	KENTUCKY	52%	6	NEW JERSEY	50%	7	TEXAS	86%	5
CALIFORNIA	85%	5	LOUISIANA	80%	4	NEW MEXICO	74%	5	UTAH	105%	8
COLORADO	78%	5	MAINE	93%	4	NEW YORK	99%	2	VERMONT	68%	3
CONNECTICUT	53%	3	MARYLAND	81%	6	NORTH CAROLINA	95%	7	VIRGINIA	88%	4
DELAWARE	108%	8	MASSACHUSETTS	69%	2	NORTH DAKOTA	78%	4	WASHINGTON	119%	12
FLORIDA	91%	2	MICHIGAN	73%	6	OHIO	90%	3	WEST VIRGINIA	98%	5
GEORGIA	92%	7	MINNESOTA	90%	9	OKLAHOMA	92%	7	WISCONSIN	106%	1
HAWAII	64%	1	MISSISSIPPI	71%	3	OREGON	88%	1	WYOMING	85%	8
IDAHO	102%	3	MISSOURI	88%	6	PENNSYLVANIA	68%	2			
ILLINOIS	44%	5	MONTANA	79%	8	RHODE ISLAND	66%	5			

Pew Charitable Trusts, 2021 Fiscal Years

Pew data includes 230 individual plans ranging from 0% to approximately 200% funded. The median plan count by state is five plans. Teacher and education plans are often the largest by liability, and judicial and legislative plans are often smallest.

Some states have large public plans that are not included in these analyses. Illinois, for example, has five plans in the Pew summary averaging 44% funded and resides at the bottom of the rankings. Total liabilities for these five plans are approximately $250 billion, but there is another plan in the state with over $50 billion in liability, covering a population of approximately 500,000 that is 98% funded: The Illinois Municipal Retirement Fund, which does not receive money from the state of Illinois.

Plan Considerations

In contrast to private pension plans that largely reside under the national umbrella of ERISA, resulting in them having the same basic rules, public pension plans operate within the governance structure of individual states. So, for these plans, we are basically looking at 50 mini-nations. A plan in California has different statutes affecting benefits and funding than one in Tennessee. Some Native American plans may be governed by tribal law. Naturally, this causes significant variance among plans. Plans in different states have distinct provisions, assumptions, funding policies, contribution structures and history — basically, their own stories on how they got where they are and where they are headed.

Because public plans operate so differently from one another based on state laws and regulations, they need to be considered at a more granular level.

Because public plans operate so differently from one another based on state laws and regulations, they need to be considered at a more granular level, not always treated as a single state metric. Lumping them together can result in a one-size-fits-all approach to "fixing" them when they have different strengths and weaknesses. Within a particular state, there are often large pension plans funded much better than the overall ratio of all plans.

Below is a non-exhaustive list of some of key features that vary from plan to plan. These items affect aspects of plans like benefit levels, governance, funding, future plan health and plan costs.

Benefit Provisions	
Multiplier	Can cover a wide range; rates near 2% are common Multiplier may be low if plan is a supplemental plan
Pay Average	May be averaged over a whole career or a few years (or even one) Pay may be limited in individual years to a certain amount
Service Maximum	All years may be included or limit may apply
COLA	Annual benefit increases for inflation, ad hoc increases, or no COLA at all
Eligibilities	
Vesting	Plan may require five years or possibly more (or less) Vesting may vary within a plan in different tiers
Retirement Age	Ages range, some plans could be near 50, others in the 60s
Retirement Service	May require a few years or up to 20
Funding	
Contributions	Employees often contribute, but not always
Members:	Rates vary, from near zero to close to 20% of pay
Employers:	Rates vary widely, from single digits to approaching or exceeding 50% of pay
Fixed Rate or Varying	Many plans pay an actuarially determined contribution while some use a fixed rate, adusted occasionally, with others somewhere in between
Other	Some plans pay less than is recommended or have taken contribution holidays
Additional Considerations	
Social Security	Members may participate or plan may be a Social Security replacement plan
Multiple Tiers	Members treated differently within the plan
Underlying Economy	Local economy supporting plan members may be robust or receding
Governing Structure	State statutes, local code, Tribal law
Assumptions	Discount and inflation rates vary, for example
Cost Sharing	Employers bear all adverse experience or share with members
Open or Closed	Plan may be closed to new members, most are still open

While some clearly (and unfortunately) see the public pension plan system collectively as being on borrowed time, most plans have paid benefits for decades (or more) and never missed a benefit payment. Each plan's individual underlying structure, assumptions and other features can provide insight into the health and funding trajectory of the plan.

Why Each Public Plan Should be Analyzed Individually

Each plan is unique, and decisions stakeholders make affecting a plan's future health should be understood. Clustering them can be reckless and misleading on all fronts. As a collective group of plans improves funding in certain years, other plans that lose ground and maintain short-sighted policies should also not get to hide under that umbrella.

It's important to read articles about "public pension plan funding" critically and draw your own conclusion based on data for individual plans. ◆

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Diversifying Income in a New Era

By: Brian Griggs, Nuveen

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With investors facing an uncertain economic and interest rate environment, many are tempted to over-allocate to cash and wait for further clarity. But we believe investors should continue seeking opportunities for portfolio growth and income generation, even if that means looking in unexpected areas. We offer three themes to consider, along with ideas for portfolio positioning.

1. Investors are accumulating cash alternatives at the wrong time.

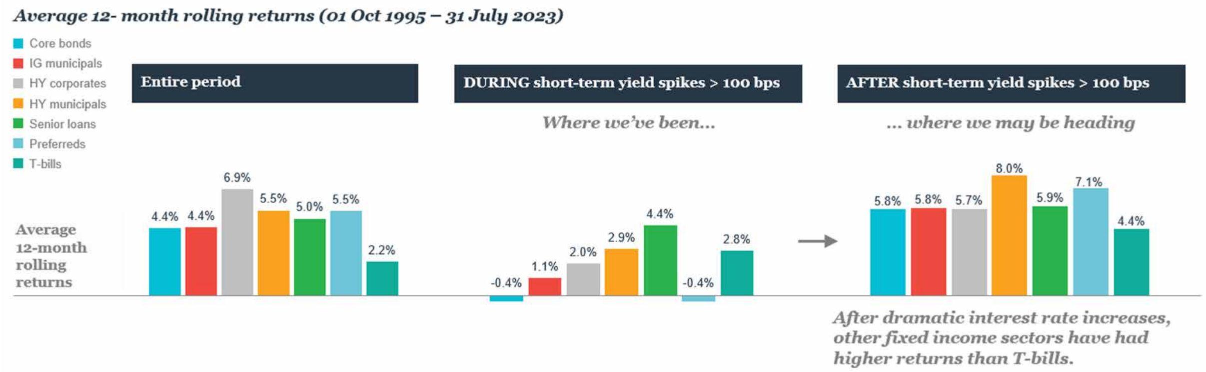
Historically, investors have moved to cash at precisely the wrong times — when rising short-term interest rates were near their peaks. Elevated short-term bond yields may look enticing during economic uncertainty. But each time short yields have surged by 100 basis points over the past 30 years, a recession has followed. This means investors should consider being longer, not shorter, on the duration curve.

2. After dramatic rate increases, longer-duration sectors have offered more favorable risk/return characteristics.

When short-term yields spiked in the past — like we've seen the last couple of years — fixed income risk/reward tended to be more favorable than cash alternatives.

But consider where the world may be heading. In the 12 months after the yield spikes, average fixed income returns improved significantly. An elevated rate environment means investors may collect higher coupons, as well as benefit from price returns as rates decline. These advantages are compounded for investments with longer durations. Sitting in cash, in contrast, tended to be a worse strategy due to its lower starting yield and shorter duration.

Historically, investors have moved to cash at precisely the wrong times — when rising short-term interest rates were near their peaks.



Data sources: Nuveen Portfolio Strategy Group, Bloomberg L.P., 01 Oct 1995 – 31 Jul 2023; longest common inception of indexes. **Performance data shown represents past performance and does not predict or guarantee future results.** Looking across the period since 1995, **historical periods of short-term yield spikes** include when the U.S. 3-month T-bill yield has increased by 100 bps or more in a 12-month period. **Representative indexes: core bonds:** Bloomberg U.S. Aggregate Bond Index; **high yield corporates:** Bloomberg U.S. Corporate High Yield Index; **high yield municipals:** Bloomberg High Yield Municipal Bond Index; **investment grade municipals:** Bloomberg Municipal Bond Index; **senior loans:** Morningstar LSTA U.S. Leveraged Loan Index; **preferreds:** S&P U.S. Preferred Stock Index; **T-bills:** U.S. Generic Government 3-Month Index. Different benchmarks, economic periods, methodologies and market conditions will produce different results. **See Risks and Important Disclosures for Asset Class Related Risks about the differences between types of investments and the Glossary.** There is no assurance that any asset class or index will provide positive performance over time. **It is not possible to invest directly in an index.**

3. Prepare Portfolios for the Road Ahead.

To be clear, we are not advocating market timing. And we think considering only the likely direction of interest rates is missing the forest for the trees. A better solution? Build an income portfolio that diversifies across risk factors.

Drivers of risk and return are embedded in every investment, and different risk factors will out- and under-perform over time. Since we will never know when each risk factor may perform better or worse, diversifying across these factors should be a more solid approach.

> *Drivers of risk and return are embedded in every investment, and different risk factors will out- and under-perform over time.*

Income portfolios have different sensitivities to risk factors, depending on the underlying asset classes. Choose an allocation based on risk tolerance, return goals and liquidity needs, as well as the factors you think will be rewarded in the near term. Risk factors that we model include:

- Rates: The risk of rising interest rates due to monetary policy and/or investor willingness to part ways with their capital for longer periods of time (i.e., duration risk).
- Credit: The risk of credit spreads widening due to uncertainty around borrower defaults.
- Equity: The risk of an equity market selloff due to an unforeseen economic shock.
- Commodities: The risk of higher commodity prices driving a sudden inflation shock.
- Idiosyncratic: Volatility unexplained by equity, credit, and rates. ◆

Defensive income

Offers moderate income potential to help mitigate against falling interest rates

- **Designed for:** traditional risk-off environment
- **Allocations:** core sectors to help reduce rate sensitivity; high quality municipals for tax efficiency; farmland for defensiveness and embedded inflation protection
- **Largest risk factors:** interest rates

Nontraditional income

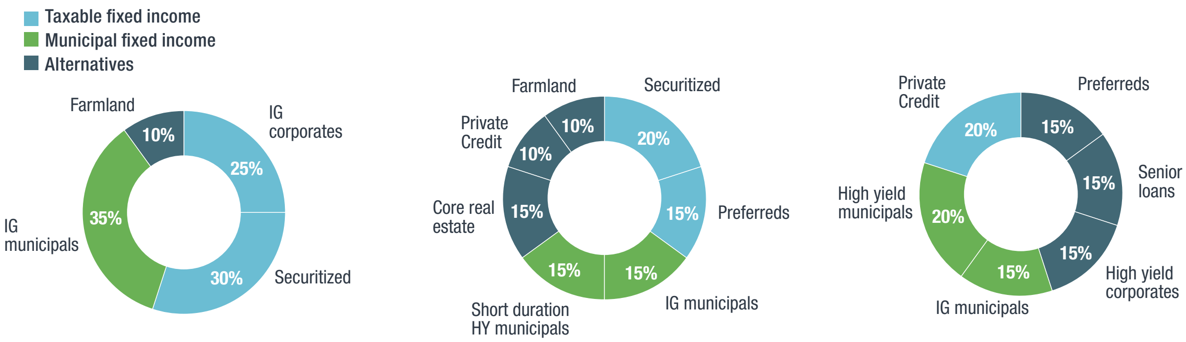
Balances public and private assets to help build resiliency against macro shifts

- **Designed for:** high allocation to private markets
- **Allocations:** private investments result in only ~60% of volatility explained by macro factors; private assets for inflation protection
- **Largest risk factors:** idiosyncratic; equity

Credit income

Seeks higher yield potential per unit of risk and is directly related to credit conditions

- **Designed for:** risk-on income allocation
- **Allocations:** diversified income-producing assets; private credit to help improve the yield per unit of volatility
- **Largest risk factors:** changes in credit spreads; equity



Data sources: Nuveen Portfolio Strategy Group, Bloomberg, L.P., data as of 30 Jun 2023. **Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: core real estate:** NCREIF Fund Index Open End Diversified Core (NFI-ODCE) Index; **farmland:** NCREIF Farmland Index; **investment grade corporates:** Bloomberg U.S. Corporate Bond Index; **investment grade municipals:** Bloomberg Municipal Bond Index; **high yield corporates:** Bloomberg U.S. Corporate High Yield Index; **high yield municipals:** Bloomberg High Yield Municipal Bond Index; **preferreds:** S&P U.S. Preferred Stock Index; **private credit/direct lending:** Cliffwater Direct Lending Index; **securitized:** Bloomberg U.S. Securitized: MBS/ABS/CMBS and Covered Index; **senior loans:** Morningstar LSTA U.S. Leveraged Loan Index; **short duration high yield municipals:** Bloomberg Municipal High Yield Short Duration Index. Diversification does not insure against loss in a declining market. Different benchmarks, economic periods, methodologies and market conditions will produce different results. There is no assurance that any asset class or index will provide positive performance over time.

***Brian Grigg, CFA, CMT, FRM**, Managing Director, Portfolio Strategist, has over a decade of experience as a cross-asset investment strategist focused on both public and private markets. As a senior member of Nuveen's Portfolio Strategy & Solutions team, he develops and delivers custom analytics, thought leadership and portfolio construction views to investment advisors and their clients.*

Prior to joining Nuveen, Brian worked at State Street Global Advisors as an investment strategist, representing the firm's target-date capabilities to defined contribution plan clients. Prior to that, he worked at Voya Investment Management as a client portfolio manager covering multi-asset and option-based income strategies. He began his career at Bloomberg LP as a portfolio risk, factor investing & derivatives specialist.

Brian graduated with a B.S. from Syracuse University and an M.B.A. from Columbia Business School. He also holds the CFA, CMT and FRM designations and is a member of CFA Society Stamford.

Disclosures:

Important information

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her financial professionals.

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Investing involves risk; principal loss is possible.

For term definitions and index descriptions; please access the glossary on nuveen.com. **Please note, it is not possible to invest directly in an index.**

Supreme Court Clarifies Pleading Requirement for Claims Arising Under the Securities Act of 1933

By: Eric J. Belfi and Guillaume Buell, Labaton Keller Sucharow LLP

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The U.S. Supreme Court recently clarified the scope of certain claims for securities class actions brought pursuant to Section 11 of the Securities Act of 1933. The Court held that an investor who alleges claims regarding a purportedly defective registration statement (often issued in connection with an IPO or secondary public offering), must specifically allege that he purchased some shares traceable to that registration statement.

Facts of the Case

The case involved claims against Slack Technologies, a company that offers a platform for instant messaging. In 2019, Slack conducted a "direct listing" on the New York Stock Exchange. Because Slack "employed a direct listing rather than an IPO, there was no underwriter and no lockup agreement" and thus, "holders of preexisting unregistered shares were free to sell them to the public right away." Using a direct listing rather than an IPO purportedly allowed Slack to avoid paying "significant transaction costs." The direct listing "offered for purchase 118 million registered shares and 165 million unregistered shares" to which the Plaintiff in the case bought 30,000 Slack shares on the day the direct listing went public, and 220,000 additional shares over the next few months. After the Plaintiff purchased the shares, Slack's stock price dropped, leading to a class-action lawsuit. *Slack Technologies* v. *Pirani*, 598 U.S. 759, 764 (2023).

After the Plaintiff purchased the shares, Slack's stock price dropped, leading to a class-action lawsuit.

The lawsuit alleged that Slack violated Section 11 by filing a materially misleading registration statement: which touted the business and "implied that the Slack App was a market leader with unique advantages over its competitors and that [Slack] possessed the ability to scale up its services to reach more lucrative enterprise customers," However, Slack's "growth was [allegedly] slowing down in several aspects, including its key metric, [daily active users]." *Pirani* v. *Slack Technologies*, 445 F. Supp. 3d 367, 374 (N.D. Cal. 2020).

The 1933 Act requires a company to "register the securities it intends to offer to the public with the Securities and Exchange Commission" and "[a]s part of that process, a company must prepare a registration statement that includes detailed information about the firm's business and financial health so prospective buyers may fairly assess whether to invest." And the "law imposes strict liability on issuing companies when their registration statements contain material misstatements or misleading omissions." *Slack*, 598 U.S. at 762.

The case resolved a dispute among lower federal courts about the reach of Section 11 claims. To interpret the scope of Section 11 standing, the Supreme Court analyzed whether the term "such security" in the statute refers only to a security issued pursuant to the allegedly misleading registration statement, or also includes a security not issued pursuant to that registration statement. *Id.* at 766-767.

The Supreme Court concluded that the statute "imposes liability for false statements or misleading omissions in 'the registration statement'" and "[t]he statute uses the definite article to reference the particular registration statement alleged to be misleading, and in this way seems to suggest the plaintiff must 'acquir[e] such security' under that document's terms." As a result, Section 11 "requires a plaintiff to plead and prove that he purchased shares traceable to the allegedly defective registration statement." *Id.* at 766-767, 770.

Key Takeaways

Going forward, shareholders bringing Section 11 claims will have to plead and prove they purchased shares traceable to the defective registration statement they claim caused them to suffer harm. A future battle before the Supreme Court may also be in the offing with respect to claims under Section 12 of the 1933 Act, which the Court declined to address. ◆

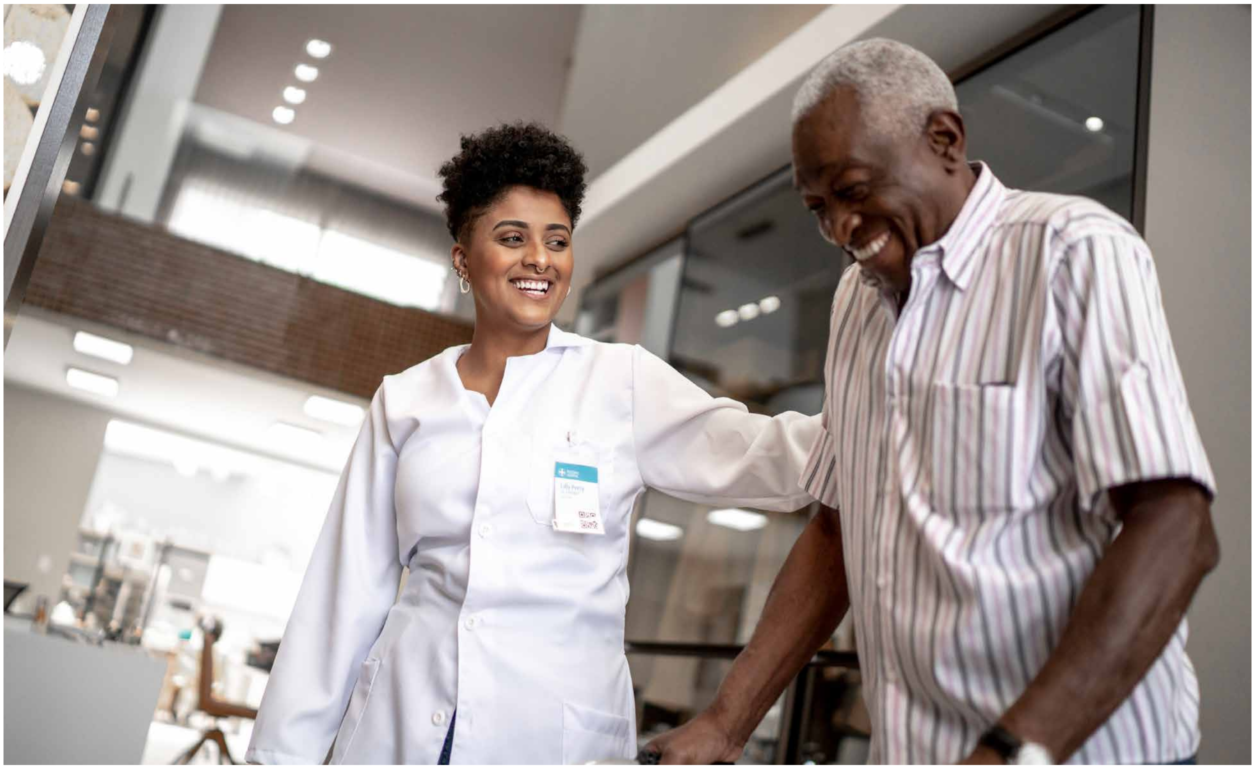
Eric J. Belfi and Guillaume Buell *are Partners in the New York office of Labaton Keller Sucharow LLP.*

An accomplished litigator, Eric Belfi represents many of the world's leading pension funds and other institutional investors concerning the merits of U.S. and non-U.S. securities, shareholder, and other investment-related litigation. Eric advises clients throughout the lifecycle of an action, participating in the complaint drafting process, as well as litigation, mediation, and settlement strategy meetings. Eric is a member of the Firm's Executive Committee and head of the Client Development Group.

With over a decade of experience in securities law, Guillaume Buell represents investors based in the United States, the United Kingdom, and Europe in connection with domestic and international securities litigation, corporate governance matters, and shareholder rights disputes. His clients include a wide range of pension funds, asset managers, insurance companies, and other sophisticated investors.

Enhancing Healthcare Coverage for Public Safety Retirees

By: Eric Stanger, Via Benefits by WTW



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Important improvements to the Healthcare Enhancement for Local Public Safety (HELPS) Retirees Act

What is HELPS?

Since its passage in 2006, the HELPS Act has allowed retired public safety officers to benefit from an annual pre-tax distribution of up to $3,000 from a governmental retirement plan when funds were used to pay for healthcare or long-term care insurance. However, the legislation required that the governmental retirement plan make the premium payments directly to the insurance provider.

Unfortunately, the high administrative burden prevented many governmental retirement plans from implementing the direct payments to insurance providers, which prevented eligible public safety retirees from accessing this important benefit.[1]

> **"Ohio firefighters and other first responders wear their bodies out protecting our families and communities, and they shouldn't have to worry about being penalized for withdrawing from retirement that they've earned," said Senator Sherrod Brown (OH). "This is a simple solution that allows first responders to keep their own money and alleviate pressure on state and local governments."**

Sherrod Brown
U.S. Senator for Ohio

What is new?

In December 2022, Congress passed legislation to enhance the HELPS Retirees Act that removed the requirement that premiums be paid directly by the governmental retirement plan. Now, all eligible public safety retirees can elect to exclude up to $3,000 from their taxable income from an eligible governmental retirement plan to pay qualified health or long-term care insurance premiums.

$3,000 ➡ **$660**

tax exemption* — **annual reduction in taxes to retiree in 22% income tax bracket[2]**

* **Tax Exemption:** The dollar amount that can be deducted from an individual's total income, thereby reducing one's taxable income.[3]

Why is this important?

Since 2003, there have been significant legislative updates impacting retiree healthcare, including the Medicare Modernization Act, the Affordable Care Act, the American Rescue Plan Act, and the Inflation Reduction Act. The laws have created and strengthened health insurance markets for retirees by driving competition among insurers, eliminating barriers to coverage, enhancing benefits, and providing government subsidies to lower the cost of healthcare. As a result of finding better value on the individual market, there has been dramatic growth in enrollment in plans purchased directly by individuals as compared to group purchasing.[4] Many public safety retirees are choosing to waive group health plan coverage from former employers because they can find better value by purchasing individual coverage. Now these public safety retirees can also take full advantage of the pre-tax distribution they earned as a public safety officer.

How can Via Benefits help plan sponsors assist public safety retirees to take advantage of this tax benefit?

Plans sponsors *NOT providing* retirees with group health benefits:	Via Benefits can assist retirees with evaluating and enrolling in healthcare coverage and will educate retirees on the existence and benefits of the HELPS law. For retirees who are not yet eligible for Medicare, Via Benefits will help retirees evaluate whether they qualify for any federal premium tax credits that would further reduce the cost of health insurance premiums.
Plans sponsors *providing* retirees with group health benefits:	Via Benefits will help evaluate how the costs and benefits of your group plan(s) compares to the plans available on the individual marketplace. Most plan sponsors reduce their administrative burden while providing an increase in personalized plan choice and savings to retirees.

Via Benefits respects the sacrifices made by our public safety officers, which is why it advocated for the passage of the 2022 HELPS Retirees legislation by educating lawmakers of the administrative challenges to the law in its previous form and how to improve access to the benefit for public safety retirees. ◆

Endnotes:

[1] spanberger.house.gov/posts/president-signs-into-law-spanbergers-bipartisan-legislation-to-protect-tax-credits-of-retired-police-officers-firefighters and ncpers.org/blog_home.asp?display=193

[2] nerdwallet.com/article/taxes/federal-income-tax-brackets

[3] irs.gov/pub/irs-dft/p575--dft.pdf

[4] kff.org/policy-watch/as-aca-marketplace-enrollment-reaches-record-high-fewer-are-buying-individual-market-coverage-elsewhere and cms.gov/newsroom/press-releases/nearly-16-million-people-have-signed-up-affordable-health-coverage-aca-marketplaces-start-open

Eric Stanger *supports large, complex employers in evaluating and designing individual market solutions for retiree healthcare. Eric has over 20 years of human resource consulting and product management experience, having started in the industry with a focus on HR benchmarking, then transitioned to developing and managing health benefits solutions.*

Prior to Via Benefits by WTW, Eric led the retiree health exchange at Conduent for seven years, responsible for client satisfaction, operations, sales, P&L and product development. More recently, Eric led business development for Aon's retiree health exchange, helping organizations understand and closely evaluate exchange solutions for their retirees.

Prior to his work with healthcare exchanges, Eric helped develop the first (he claims) health savings account in the industry at Mellon HR Solutions. He designed and managed the HSA product for Mellon before moving to Fidelity Investments to implement and manage the Fidelity HSA product.

The Inflation Reduction Act's Impact on Medicare Part D and Retiree Healthcare Plans

By: Alisa Bennett, Cavanaugh Macdonald Consulting

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The Inflation Reduction Act of 2022 (IRA) was signed into law on August 16, 2022. Of particular interest to public sector retiree healthcare plans and retirement systems are the changes to Medicare Part D and drug pricing. These provisions are relevant even to retirement systems who do not sponsor retiree healthcare plans because a significant portion of a retiree's pension benefit goes to healthcare costs.

The provisions applicable to members with Medicare Part D plans include:

- The copay for insulin is capped at $35 per month.
- Price negotiations will take effect in 2026 for 10 drugs covered by Medicare, increasing to 20 drugs in 2029.
- Drug companies will pay rebates for drugs used by Medicare beneficiaries if prices rise faster than inflation.
- The 5% coinsurance for catastrophic coverage in Medicare Part D is eliminated in 2024, there will be a $2,000 cap on Part D out-of-pocket spending in 2025, and annual increases in Part D premiums will be limited for 2024-2030.

Prescription drugs are expensive and are only becoming more expensive with biologics and other specialty drugs being approved. These drugs represent a positive outcome for preservation and quality of life of the users, but someone has to pay for them.

When it comes to Medicare, costs are shared between various entities:

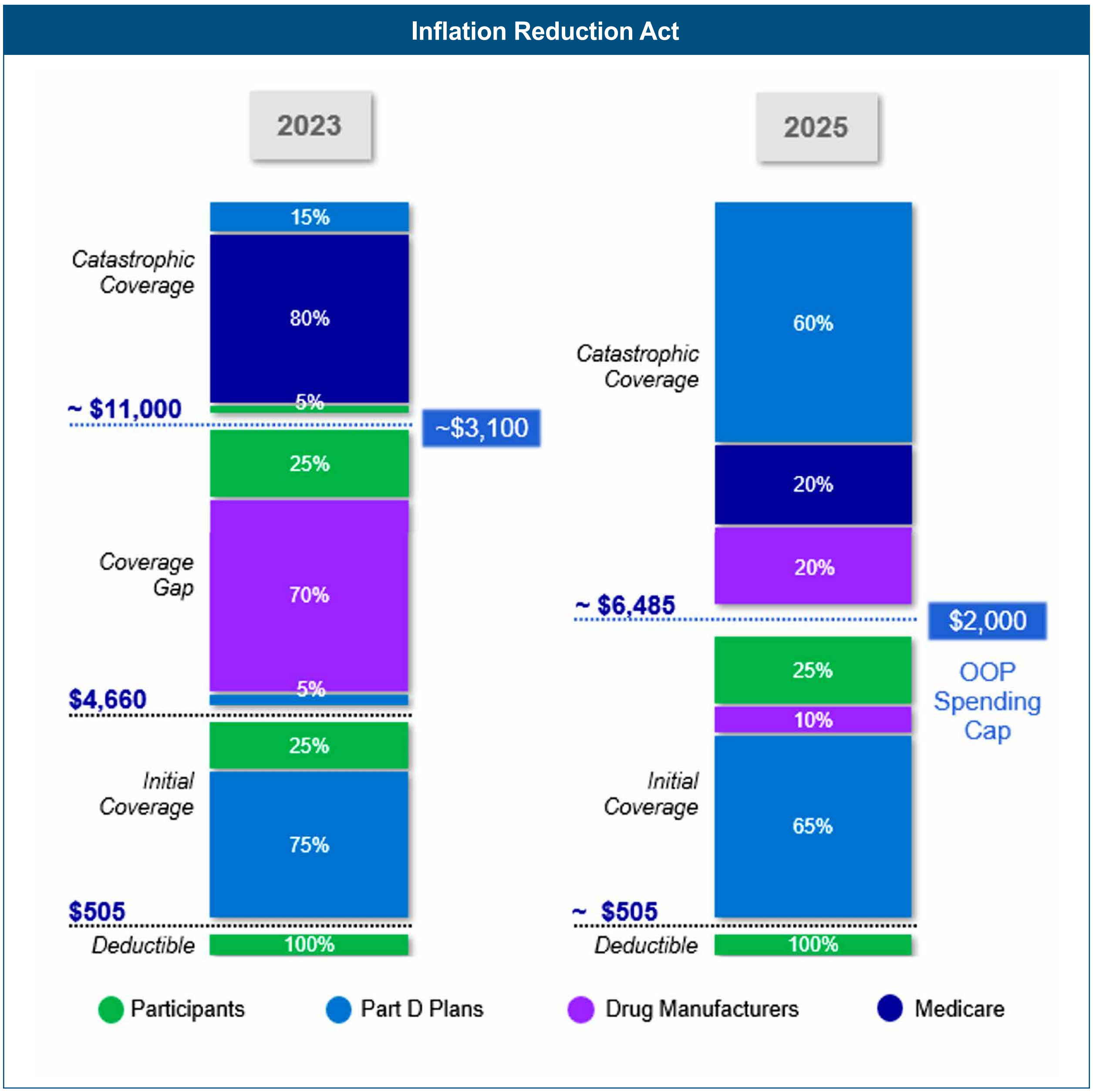
- the Federal Government,
- the Health Plan (commercial Part D plan or employer sponsored plan),
- the participant in the form of premiums and/or out of pocket costs such as deductibles, coinsurance and copays,
- and the drug manufacturers in the form of price concessions and rebates.

The IRA is intended to lower drug prices and catastrophic retiree costs, but plan design changes shift costs from one payer to another. A potential implication of these provisions is that the drug companies will attempt to make up any lost revenue on Medicare beneficiaries by increasing costs for everyone else. This would impact the active employee population as well as pre-Medicare retirees.

The limits on price increases to that of general inflation could impact launch prices, meaning that the drug manufacturers could increase the initial price of a new drug that enters the market to protect against restrictions on their ability to increase prices later.

Drug negotiations do have the potential to encourage additional lower-cost biosimilars. The law limits biologics eligible for Medicare negotiation to those which have been on the market for 11 years and which do not have a biosimilar version in the pipeline. This may alter incentives for brand-name biologic companies and drive more low-cost biosimilars.

By 2025, the Medicare Part D plan design will cap participant out of pocket spending at $2,000 and alter the cost sharing between the participant, the Part D Plan, the drug manufacturers and Medicare. The chart below shows how this will work.



For very expensive drugs, the participant's current 5% share in the catastrophic phase can be significant. Under the 2025 design, plan participants out of pocket costs will be capped at $2,000 which is protection for those with very high-cost drugs. At the same time, drug manufacturers will have some liability in the catastrophic phase which could potentially encourage them to bring down costs on very expensive specialty drugs. Stakeholders will be watching carefully to see how the cost impacts of the law unfold over the next few years. ◆

Stakeholders will be watching carefully to see how the cost impacts of the law unfold over the next few years.

Alisa Bennett, FSA, EA, MAAA*, is a President and Consulting Actuary at Cavanaugh Macdonald Consulting. Alisa has 30 years of consulting experience providing healthcare and pension actuarial valuation services to public sector clients. Alisa is a Fellow of the Society of Actuaries and an Enrolled Actuary.*

Leveraging vCISO Expertise to Protect Pension Funds Against Cybersecurity Threats

By: Peter Dewar, Linea

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Managing cybersecurity risk is an essential task for any organization operating in today's digital landscape. Cybersecurity encompasses a wide range of disciplines that seeks to identify, mitigate, manage, avoid, and recover from risks and negative events in both technologies and business processes.

The primary goal of cybersecurity is to achieve the CIA triad: maintaining Confidentiality, Integrity, and Availability of information and systems under the care of any organization charged with that mandate. This means protecting sensitive data such as Personally Identifiable Information (PII) from unauthorized access, ensuring its accuracy and reliability, and ensuring that critical systems are available when needed.

One way to achieve the CIA triad is by leveraging virtual Chief Information Security Officer (vCISO) services to secure confidential business processes and protect information and sensitive systems.

To manage cybersecurity threats, organizations must first understand the inherent risks that they are exposed to that are manifested in technologies that they use and the business processes they perform. This involves evaluating all systems and processes that are in use or managed by the organization, as well as those employed by service providers to serve clients, members, or constituents.

Understanding the probability and likelihood of potential risks, such as data leakage, data theft, or denial-of-service attacks, is crucial in developing a comprehensive cybersecurity strategy.

Does taking a holistic look at your organization's entire area of business operations to determine this probability seem daunting? It should because it is.

A vCISO can provide several services to help organizations develop a complete information security program, including:

- Policy Audit and Development
- Network/Wireless Assessment
- Applications Security Review
- Social Engineering Awareness and Training
- Risk Assessment/Cyberscore Development
- Incident Response Plan Assessment and Development
- Vulnerability/Penetration Testing

As well as ongoing activities that would continue after the information security program is in place:

- System Security Management
- Threat Management/Managed Detection and Response
- Meetings & Reporting
- 3rd Party Vendor Risk Management

Implementing appropriate security is like fitting the pieces of a puzzle together. When the implementation is done you want the pieces to fit together to show the landscape that is the cybersecurity program comprised of different layers of protection. For this reason, make sure the information security program is tailored to the uniqueness of your organization and the industry within which you operate.

Implementing these cybersecurity measures requires a skilled team with expertise in each of the above areas. Typically, organizations will need 5 to 10 cybersecurity experts to handle the complexities of cybersecurity risk management effectively.

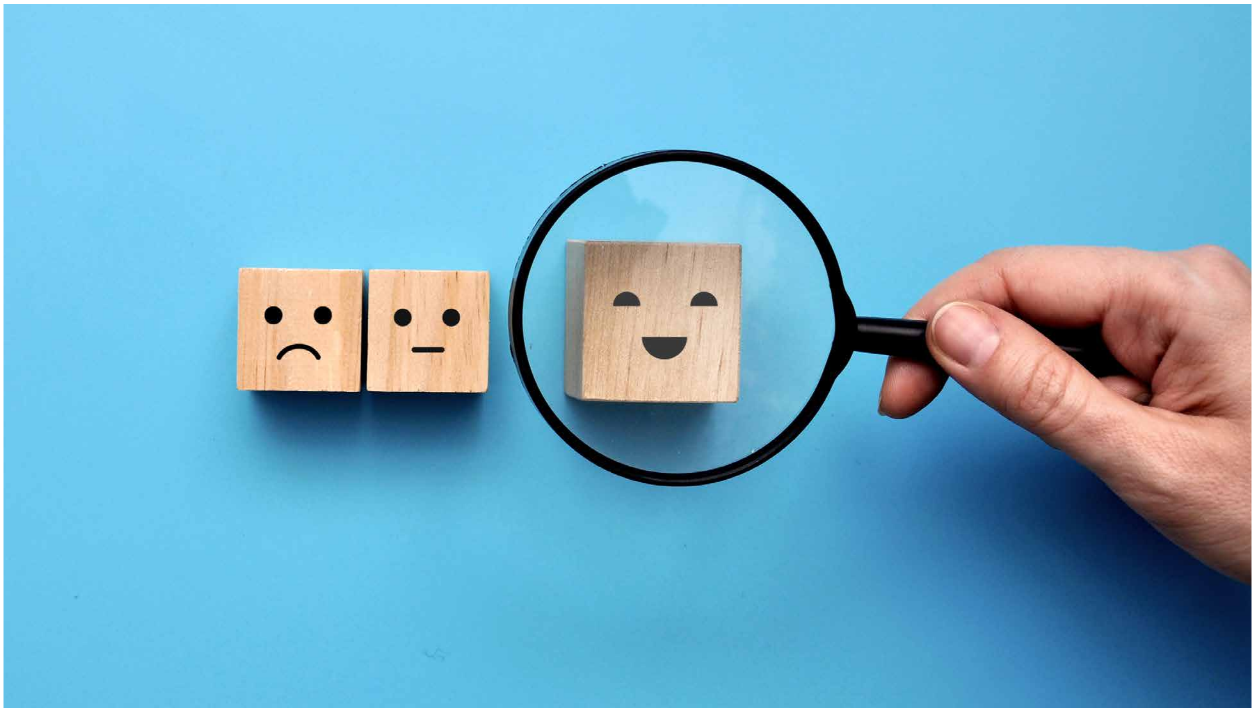
However, many organizations face challenges in staffing the right talent to manage cybersecurity risks. To overcome this hurdle, some have adopted the vCISO approach by utilizing cybersecurity service providers that offer a range of cybersecurity services without adding to the organization's overhead costs.

Delegating external cybersecurity management can prove to be an economical solution, similar to how businesses hire financial services from external vendors. It allows organizations to access expert-level cybersecurity services without the burden of hiring and maintaining an extensive cybersecurity team. ◆

***Peter Dewar**, President, has over 25 years of experience in cybersecurity and leads the cybersecurity practice for the Linea group of companies that provide services across the United States and Canada. Under his leadership Linea has developed a Pension Cyber Security Framework (PCSF) to complement the generalized standards for protecting information systems. The PCSF focuses on the business process employed, services provided, and technology utilized by pension and benefits organizations, and devises controls to minimize and mitigate the inherent cybersecurity risk experienced by the industry. Peter has a Master's degree in Information Systems from the George Washington University, a Bachelor's degree in Information Systems from the University of the District of Columbia, is a Certified Information Systems Security Professional (CISSP), Certified Data Privacy Security Engineer (CDPSE), and has received certificates of achievements from the Harvard Kennedy School of Government, Gartner CIO Academy, and International Foundation of Employee Benefit Plans.*

Guard Against Optimism when Retirement Scenario Planning

By: Thomas Anichini, GuidedChoice



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Have you ever planned a road trip, only to encounter unexpected obstacles, prolonging the trip? You might encounter accidents, roadblocks, and traffic jams. Experience teaches you things can go wrong, so you might have to refresh navigation apps periodically.

The unexpected can also occur with your retirement savings. When saving for retirement, a lot of unplanned events might occur:

- Market conditions might be worse than anticipated
- Your portfolio might be different from the one assumed
- Your earnings path might be interrupted

If people mistake the best-case scenario for the expected, the advisor needs to help clients plan without misleading them with undue optimism.

Their optimism misleads people into thinking the best-case is most likely

A recently published study, The Best-Case Heuristic: Relative Optimism in Relationships, Politics, and a Global Health Pandemic, found that when subjects predicted optimistic best-case, pessimistic worst-case, and most realistic scenarios, their most realistic scenarios tended to be closer to their best-case scenario prediction than to their worst-case scenario[1].

To a retirement advisor, this finding is troubling. If people mistake the best-case scenario for the expected, the advisor needs to help clients plan without misleading them with undue optimism.

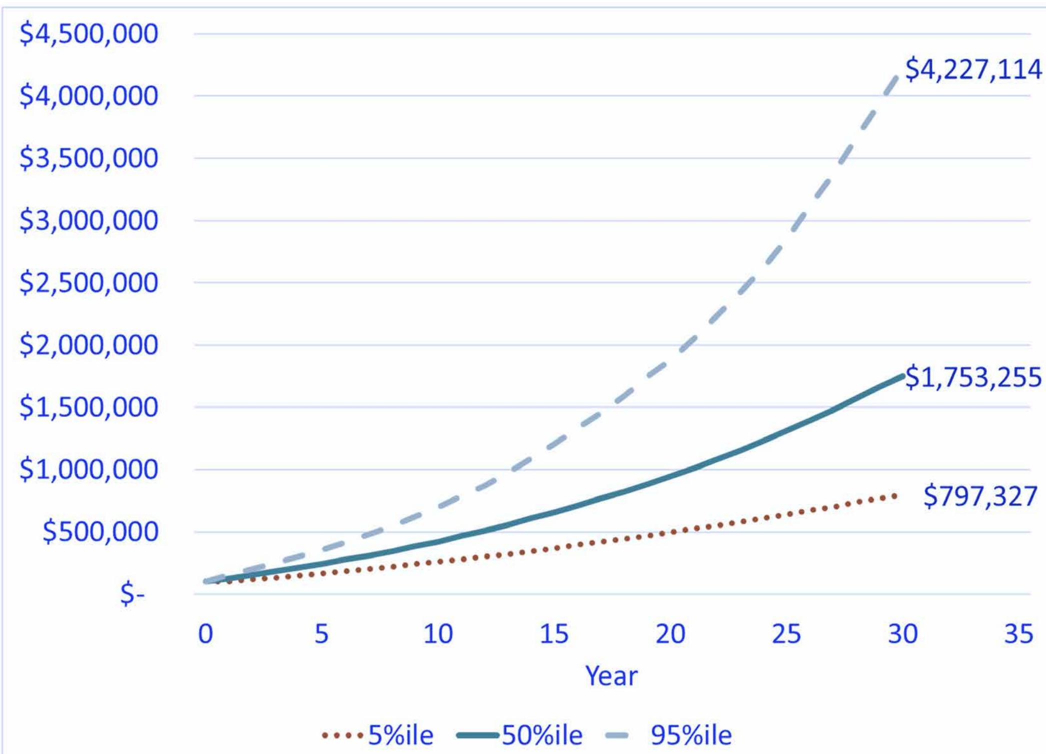
How should you treat optimistic projections? Ignore them

When retirement advisors display the range of your possible retirement wealth or income, often they show the 95th percentile, the median (or 50th percentile), and the 5th percentile. We think this practice can lead to overoptimism in the minds of clients.

Simulations of growth of wealth can be heavily skewed, especially over long time periods. To illustrate this skewness, we invite you to compare the 95th and 50th percentiles of simulated wealth growth in Figure 1. This chart depicts hypothetical growth over 30 years of an account with ongoing contributions.

Simulations of growth of wealth can be heavily skewed, especially over long time periods.

Figure. 1. Growth of $100,000 with ongoing contributions, current dollars, 5th through 95th %iles

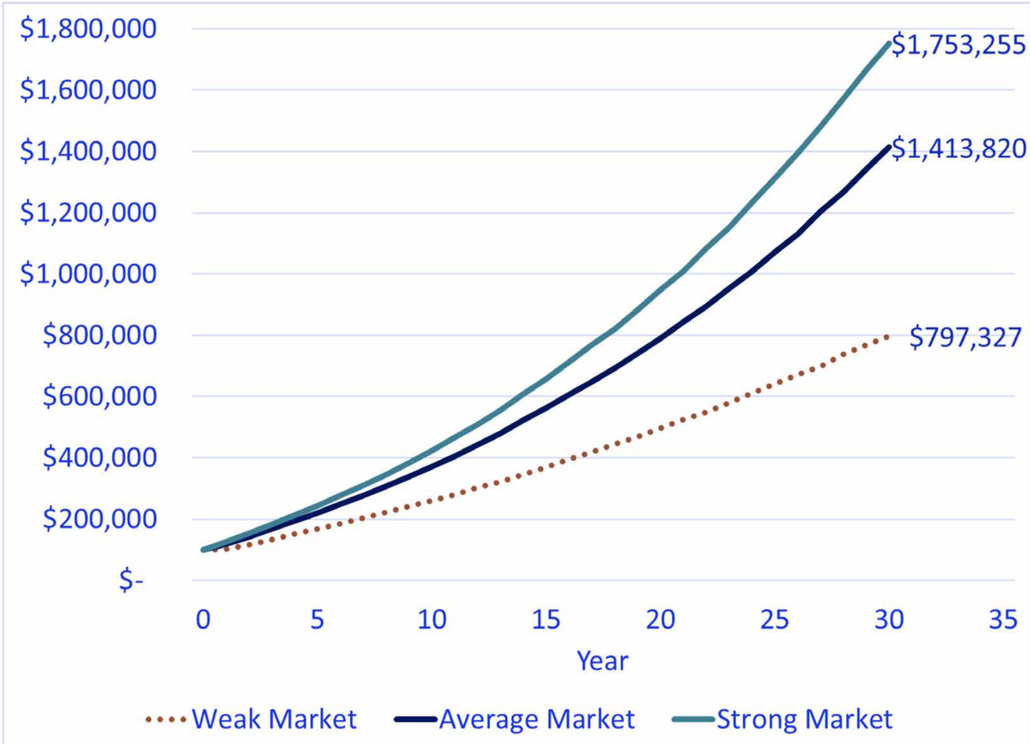


Source: GuidedChoice. Log return assumptions: 7% expected return, 12.5% standard deviation. Contributions in years 1 to 30 equivalent to $20,000 in current dollars. Assumed inflation rate 2.5% annually. This figure represents a hypothetical situation and is not intended as a forecast or as retirement or investment advice.

Notice after 30 years the 95th percentile projection is over twice that of the median. This is what positive skewness looks like.

Reflecting on all that could go wrong in your savings journey, we recommend you focus your attention on the bottom half of the distribution. Figure 2 displays how the bottom half of simulation results appear without the 95th percentile distracting you.

Figure 2: Growth of $100,000 with ongoing contributions, current dollars, 5th through 50th %iles



Source: GuidedChoice. Log return assumptions: 7% expected return, 12.5% standard deviation. Contributions in years 1 to 30 equivalent to $20,000 in current dollars. Assumed inflation rate 2.5% annually. This figure represents a hypothetical situation and is not intended as a forecast or as retirement or investment advice.

We recommend you treat the median as the "Strong Market" result and focus your attention on the bottom half of the distribution. Thus, you guard against error in your advisor's assumptions, and guide yourself away from optimism bias. You might feel compelled to save more, giving yourself a better chance of overcoming all the things that could go wrong and improving your ability to retire securely.

Takeaways

Try not to base your expected retirement outcome on rosy scenarios. If your retirement advisor shows you projections that include 95th percentile results, focus on the outcomes that are median and below.

Lots of events during your life can slow your progress to retirement security. Since you might experience some years when you cannot contribute as much as you would like, make sure you contribute as much as you can during the years when you can. ◆

Endnotes:

[1] Sjåstad, H., & Van Bavel, J. (2023). The Best-Case Heuristic: Relative Optimism in Relationships, Politics, and a Global Health Pandemic. Personality and Social Psychology Bulletin, 0(0).

Thomas M. Anichini, CFA, CFP, Chief Investment Strategist, joined GuidedChoice in 2011 and is currently the chief investment strategist. He is responsible for articulating our investment philosophy and methodology. Additionally, he serves on our Investment Committee and is involved in research, investment processes, and operational risk management. Prior to joining GuidedChoice, Tom held a variety of investment positions, including leading the U.S. manager research team at Mercer, managing portfolios at Westpeak Global Advisors, and as partner, director of portfolio management at Freeman Investment Management. In addition, from 2011 to 2014 he served on the Society of Actuaries Investment Section Council, including one year as chair. Thomas holds a B.S. in Actuarial Science from the University of Illinois and an M.B.A. in Finance from the University of Chicago.◆

Worker Turnover Soars After Closing a Public Plan

By: Tyler Bond, National Institute on Retirement Security (NIRS)

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Public pension plans were established as workforce management tools for the end of an employee's career: helping older teachers, firefighters, and civil servants transition from working to retirement when the concept of "saving for retirement" was much less common. Over time, plan sponsors realized that pension plans helped with the beginning and middle stages of a career as well: recruiting and retaining a strong public workforce. Pensions are now seen to play a key role throughout an employee's career, so it should come as no surprise that closing a public pension plan has adverse outcomes for workforce management.

The workforce challenges that result from closing a public pension plan are documented in a new report from NIRS called No Quick Fix. The report examines five states - Alaska, Kentucky, Michigan, Oklahoma, and West Virginia - that either closed or significantly changed public plans in their state and, in the case of West Virginia, eventually reopened its closed plan.

Alaska stands out as the prime example due to the severity of its worker shortages. Alaska is already a difficult-to-staff state due to its remoteness and imposing geography. Also, many public employees in that state do not participate in Social Security. So, closing the two statewide public plans 17 years ago removed much of the incentive for someone to work in public service in Alaska.

The actuary for the two closed Alaska plans tracks the employee turnover data for both the defined benefit (DB) and the defined contribution (DC) plans. Employee turnover is much higher in the DC plans than in the DB plans. This data can be used to project the years of expected service in the two plans. For example, for a group of 100 male peace officers vesting in their plan at age 30, the DB plan would expect to still have 63 of them working at age 54, but the DC plan would only expect to have 17 of those 100 still working then. Similarly, for 100 female general government employees, 26 of 100 would be expected to still be working at age 55 in the DB plan, but only 7 of those in the DC plan. Put another way, the state expects to receive 67 percent more service from male peace officers in the DB plan, and 51 percent more service from female general government employees in the DB plan.

Figure A7: AK PERS - Male Peace Officer Retention for DB & DC Plans Based on Ultimate Termination Rates

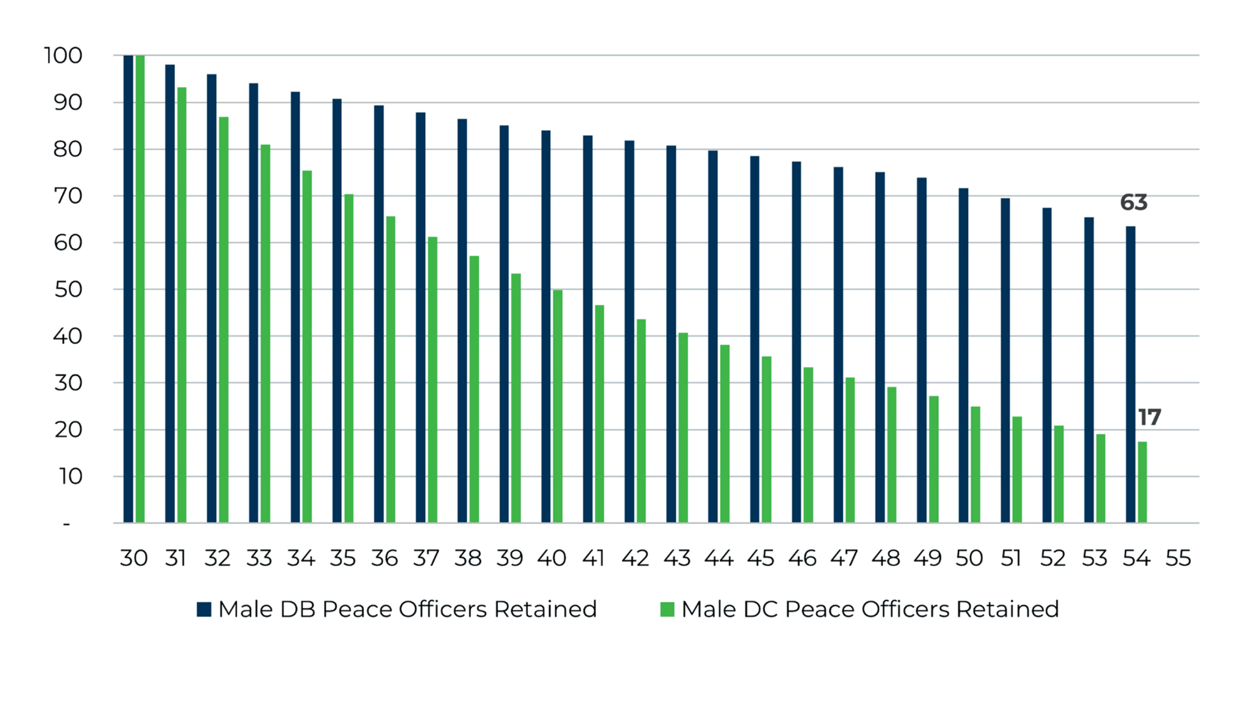
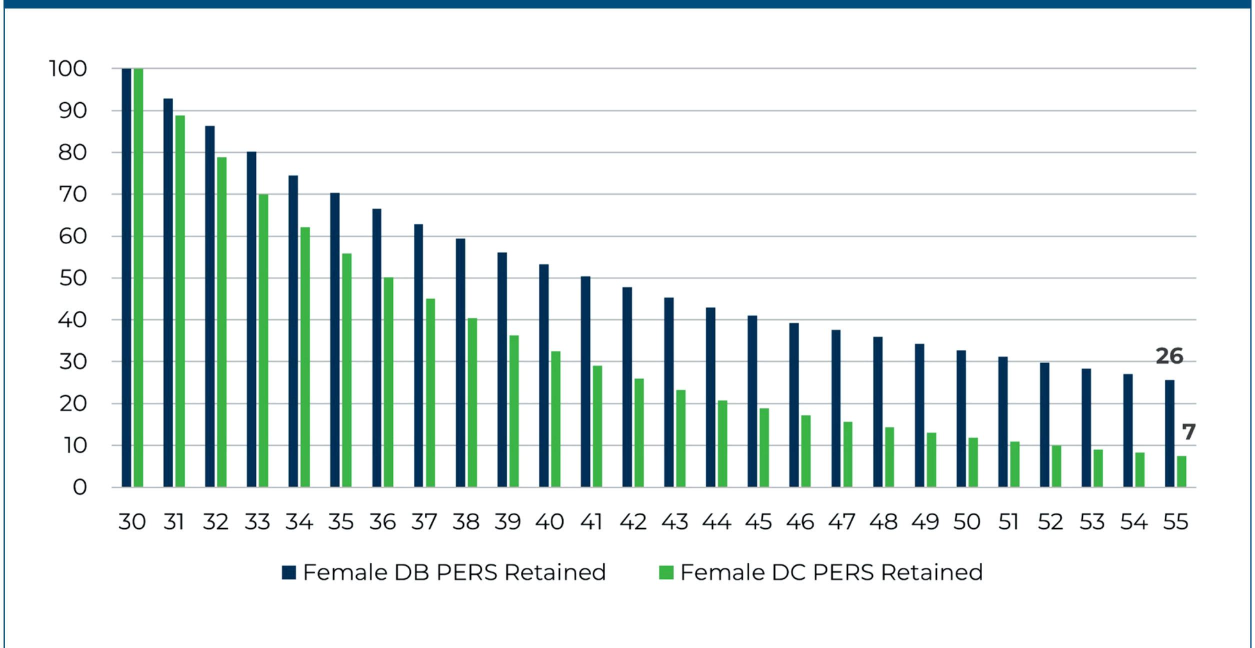


Figure A6: AK PERS - Female Non-Peace Officer Retention for DB & DC Plans Based on Ultimate Termination Rates



Data like this show up in other states. The Michigan State Employees' Retirement System (SERS) DB plan has been closed for more than 26 years. While DC plans are often sold as appealing to new workers, the number of recent hires that terminated in the last experience study was 62 percent above what the withdrawal assumptions anticipated, which is certainly not good news regarding retaining new talent.

Figure 9: Change in Worker Count by Tenure: 2005 vs. 2021

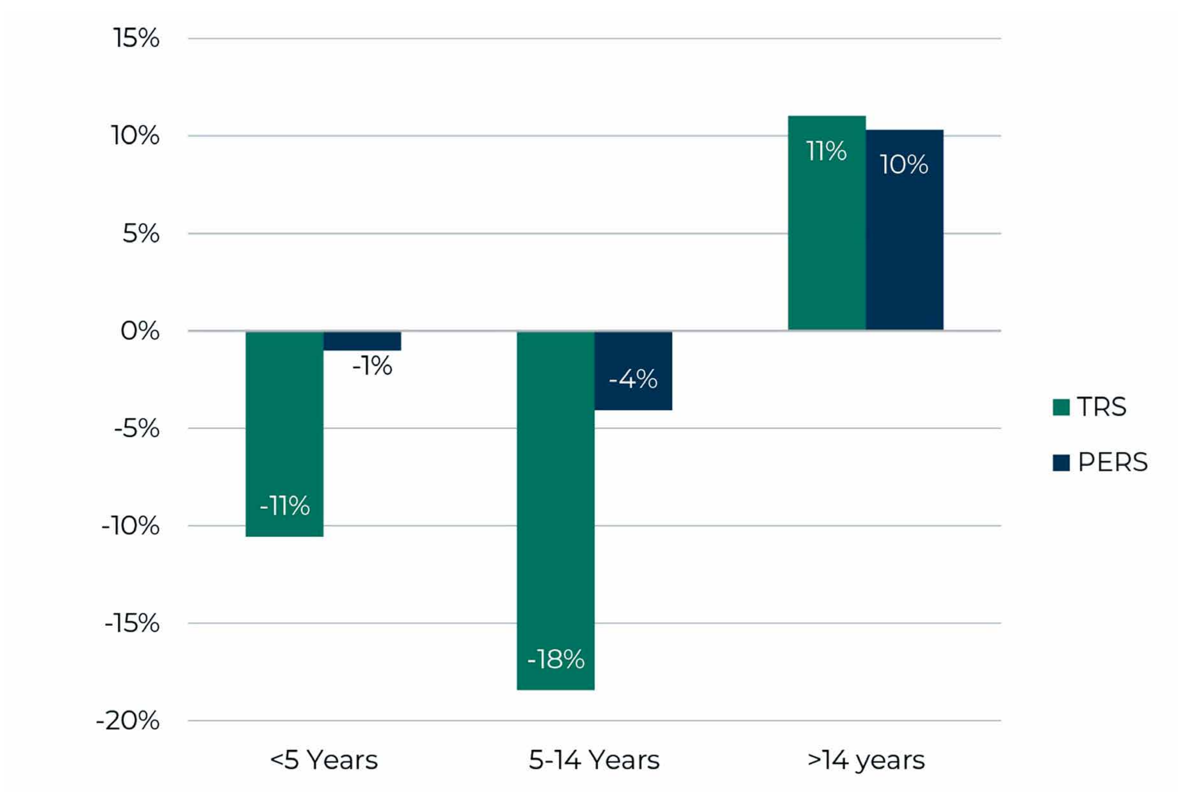
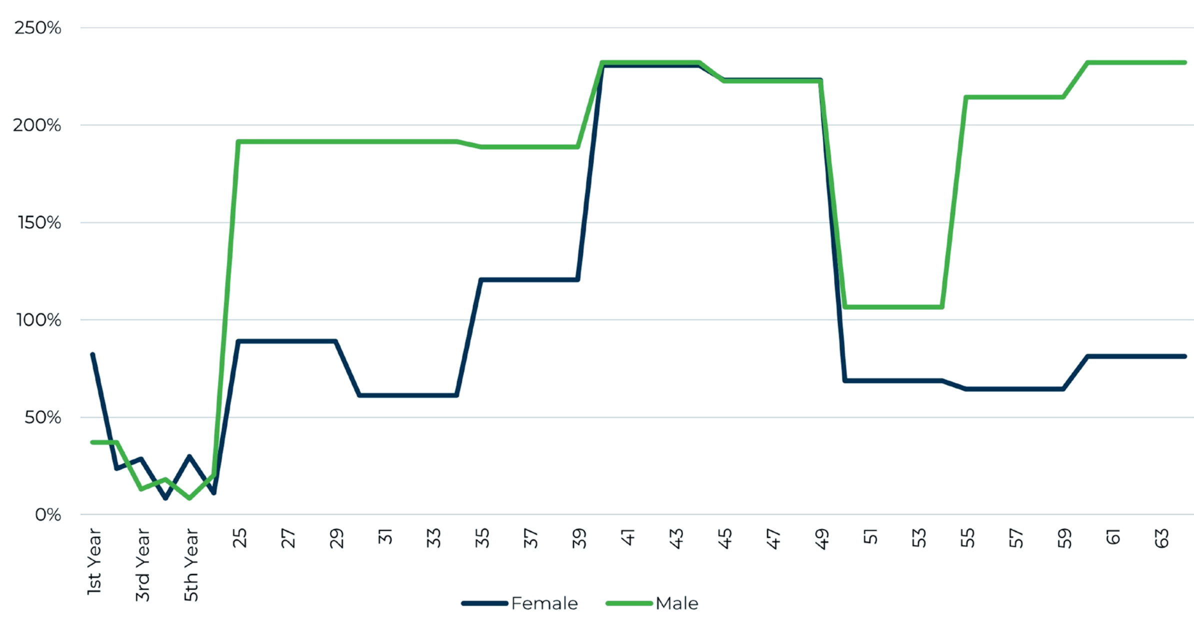


Figure 10: Percentage TRS DC Quits Is Expected to Exceed TRS DB - Based on Actuarial Experience



DB pension plans have provided an effective workforce management tool to public employers for decades. That is one reason why most public employees today still have access to a pension. The few states that have moved away from pension plans have not only seen employee turnover increase, but have seen costs rise, negative cash flow grow, and retirement security for workers weakened. It's obvious that closing a public pension plan provides no quick fix to the ongoing challenge of maintaining a robust public workforce. ◆

DB pension plans have provided an effective workforce management tool to public employers for decades.

Tyler Bond is the research director for the National Institute on Retirement Security (NIRS). He works with the executive director to plan all NIRS research products. Since joining NIRS, Bond has authored or co-authored numerous research reports, issue briefs, and fact sheets on a wide range of topics relating to retirement security. He regularly speaks at conferences about NIRS research and testifies before policymakers. Previously, Bond spent four years at the National Public Pension Coalition, where he directed the research program and authored six original research reports. He also has held positions on Capitol Hill and at the Center on Budget and Policy Priorities. Bond holds a B.A. in political science and philosophy from Indiana University and an M.A. in public policy from The George Washington University. He is a member of the National Academy of Social Insurance.

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Trustee Educational Seminar (TEDS)

May 18–19
Seattle, WA

May

Annual Conference & Exhibition (ACE)

May 19–22
Seattle, WA

June

Chief Officers Summit

June 17-19
Nashville, TN

August

Public Pension Funding Forum

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