



# The Role of Defined Benefit Pensions in Recruiting and Retaining Public Safety Professionals

September 23, 2024

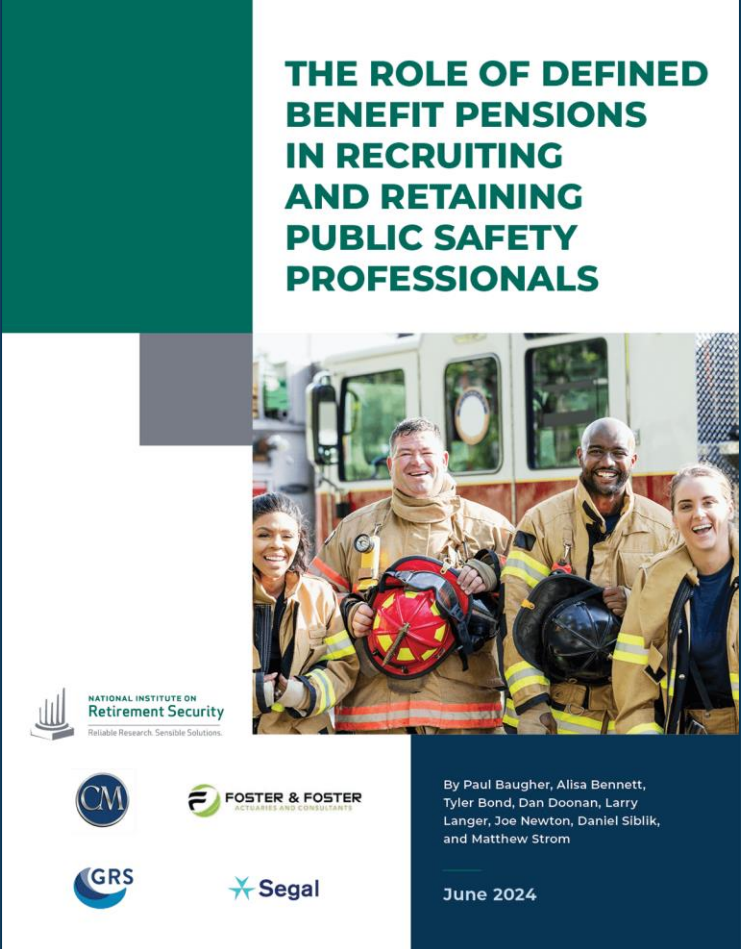


NATIONAL INSTITUTE ON  
Retirement Security

Reliable Research. Sensible Solutions.

# Why This Research?

- Defined benefit (DB) pension plans are an essential component of a public safety career.
- DB pensions help with the three R's of workforce management: recruitment, retention, retirement.
- NIRS research has tended to focus either on all public pension plans or on larger state plans, so there was a gap in the research.



**THE ROLE OF DEFINED BENEFIT PENSIONS IN RECRUITING AND RETAINING PUBLIC SAFETY PROFESSIONALS**

NATIONAL INSTITUTE ON Retirement Security  
Reliable Research. Sensible Solutions.

CM  
FOSTER & FOSTER  
GRS  
Segal

By Paul Baugher, Alisa Bennett, Tyler Bond, Dan Doonan, Larry Langer, Joe Newton, Daniel Siblik, and Matthew Strom

June 2024

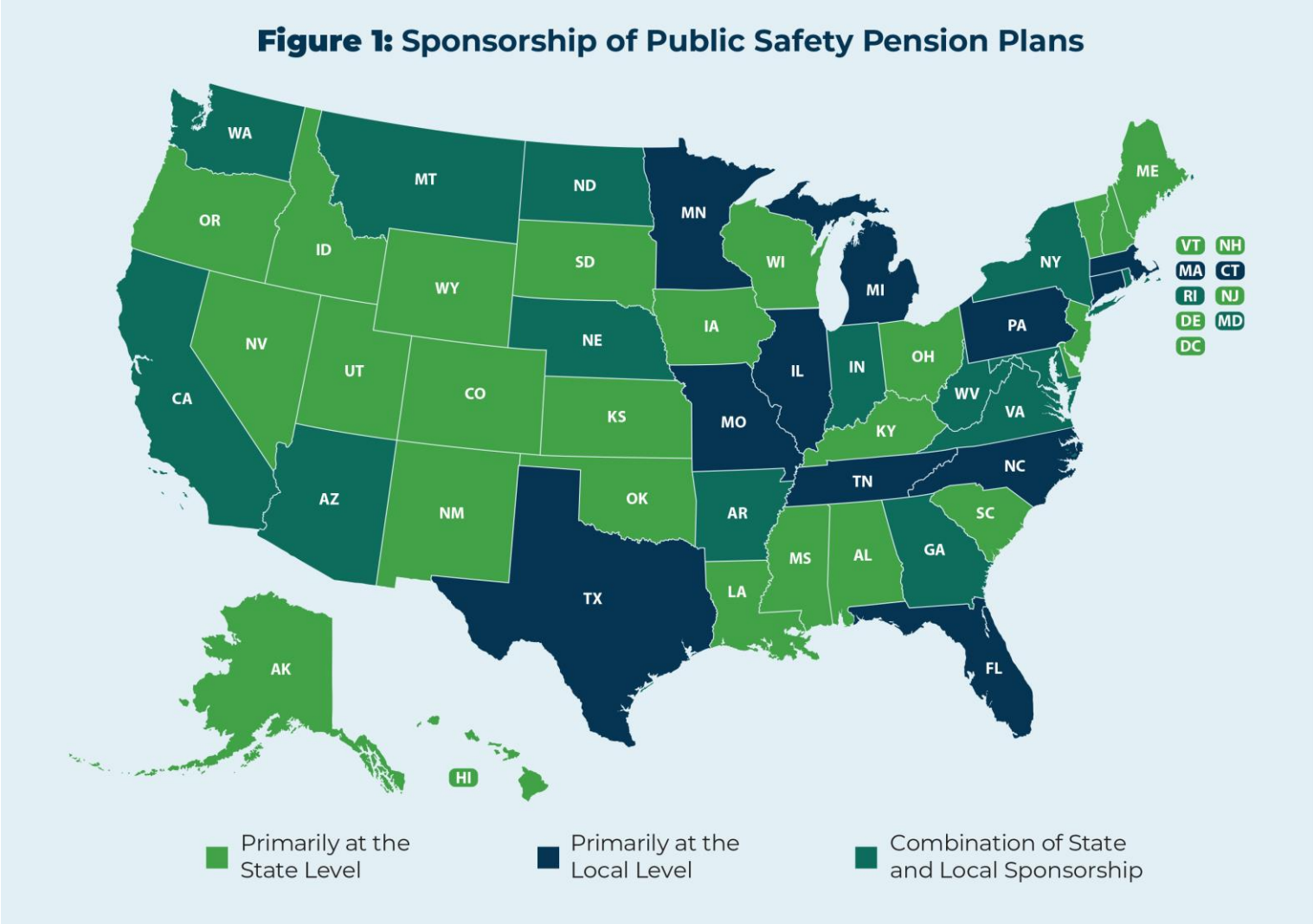
# Key Findings

- More than half (52%) of new hires in public safety are expected to retire from the pension plan.
- States and localities that have made significant changes to their pension plans in recent years have seen a marked increase in the amount of employee turnover.
- Sponsorship of public safety pension plans varies significantly from the state to the local level.

# Key Findings, Continued

- Public safety pension plans are largely similar to all state and local government pension plans. The main differences lie in benefit provisions relating to retirement eligibility.
- Many firefighters and police officers, as many as two-thirds by some estimates, don't participate in Social Security through their public safety job, although the majority of non-covered public safety professionals are highly concentrated in several states.

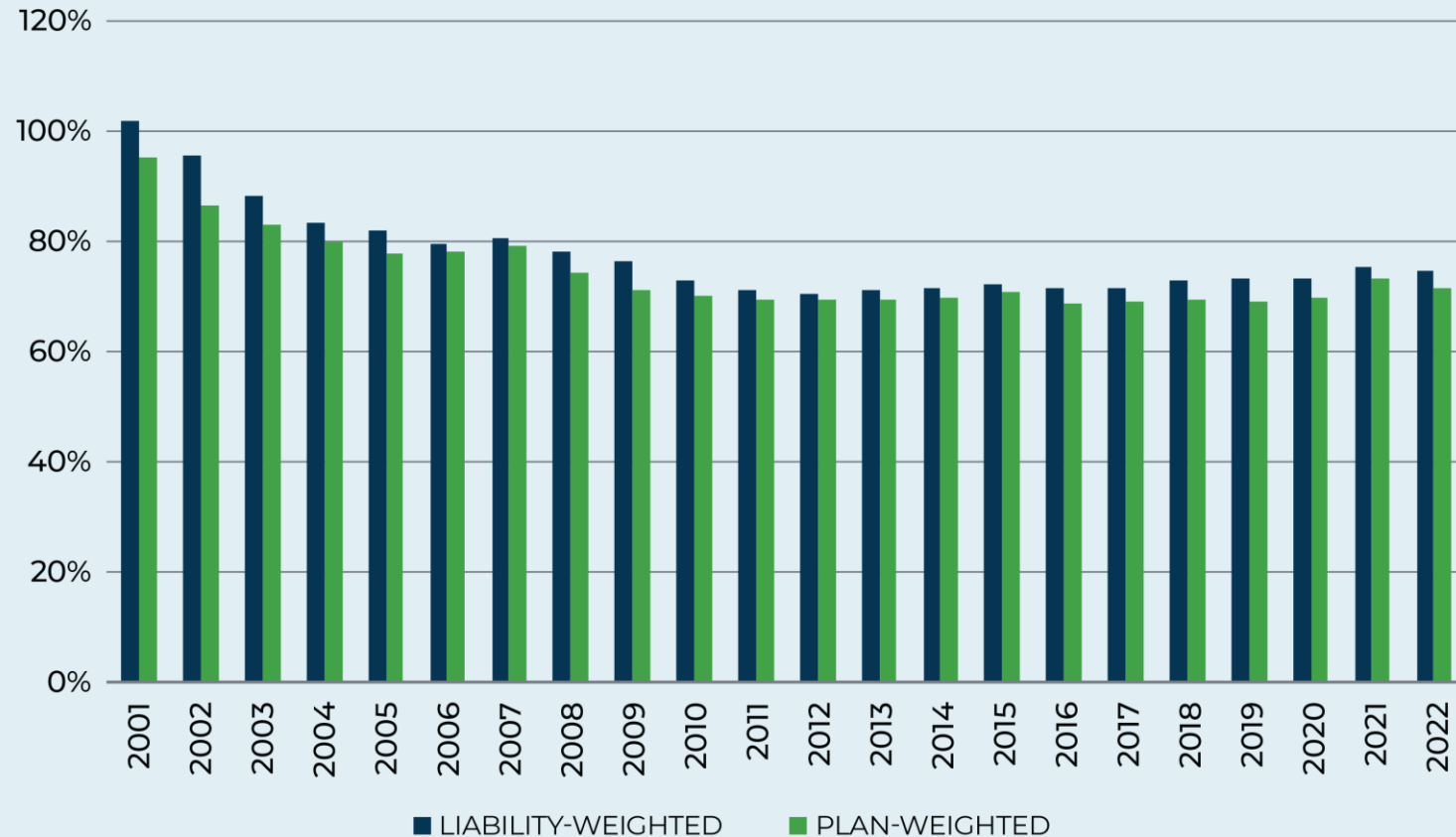
# State vs. Local Sponsorship of Plans





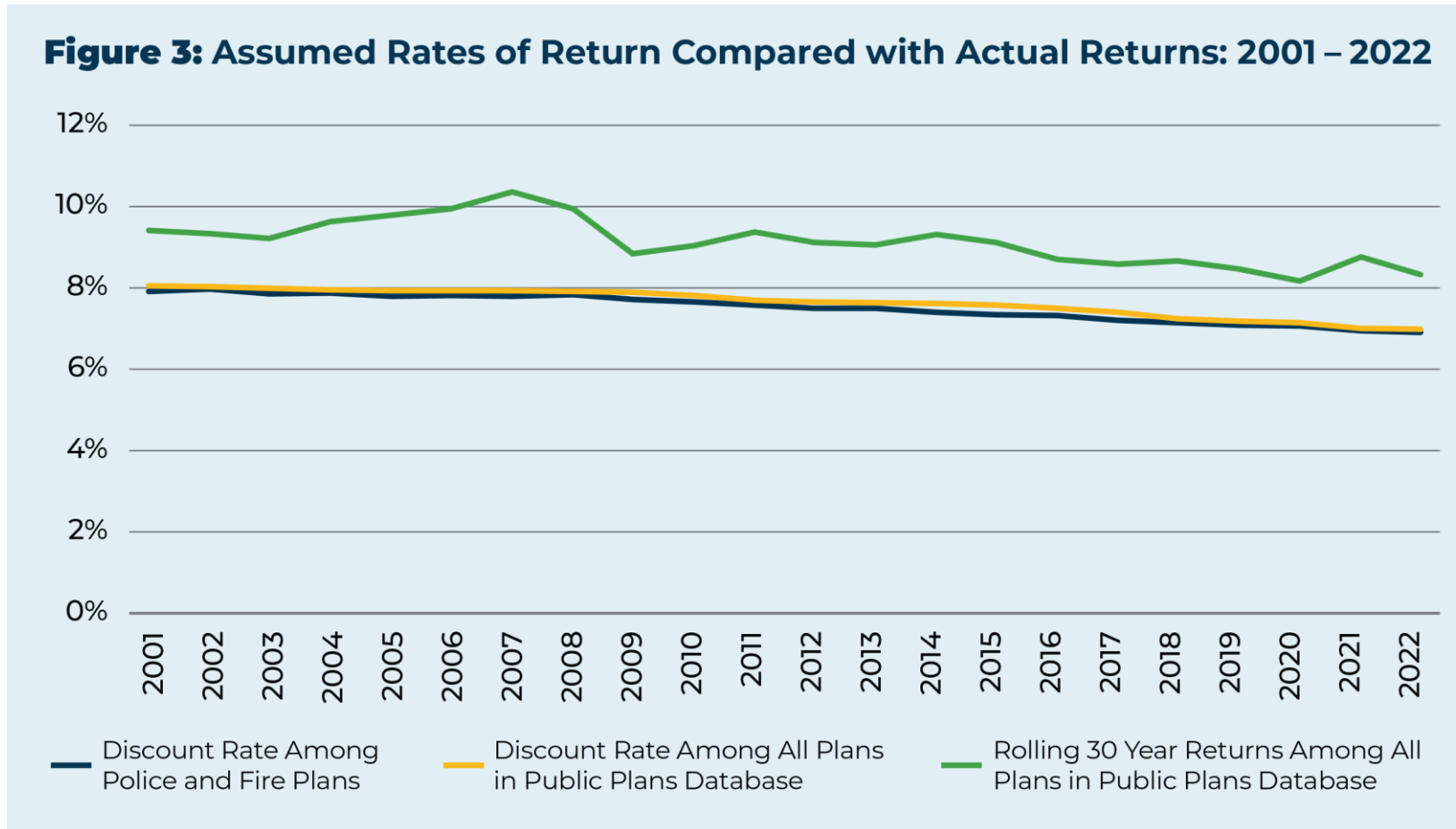
# Funding Has Followed Familiar Pattern

**Figure 2: Average Funding Ratio Among Police and Fire Pension Plans**



\*Liability-weighted funding ratios are calculated by adding all plan assets and dividing by the total plan liabilities, which gives more weight to larger plans. Plan-weighted averages are simply the average of each plan's funding ratio.

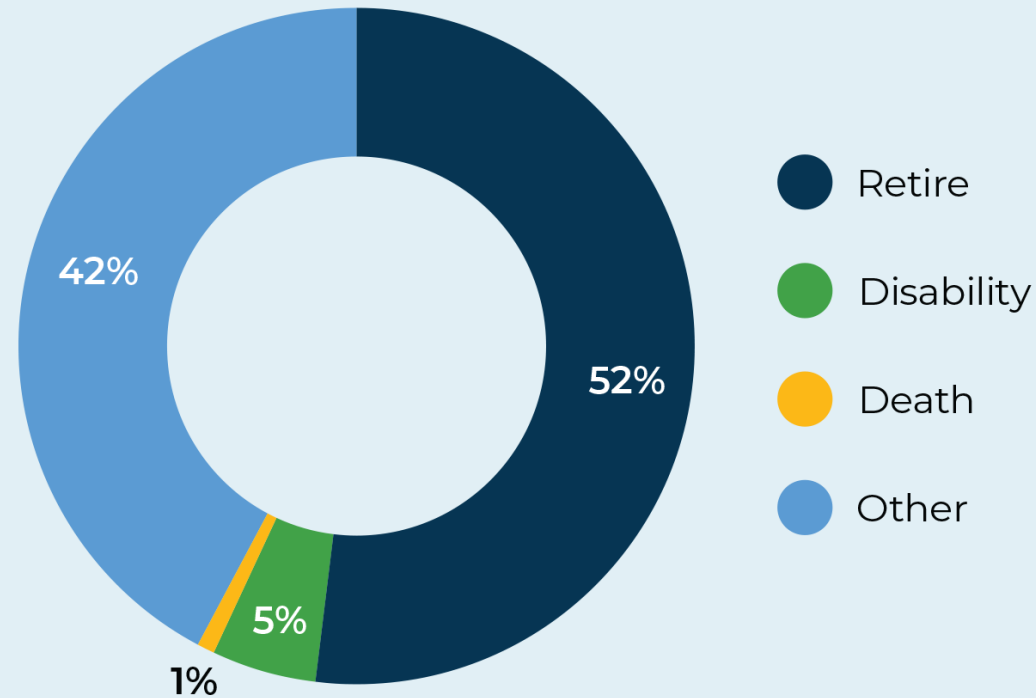
# Actual Returns Have Exceeded the Assumed Rate of Return



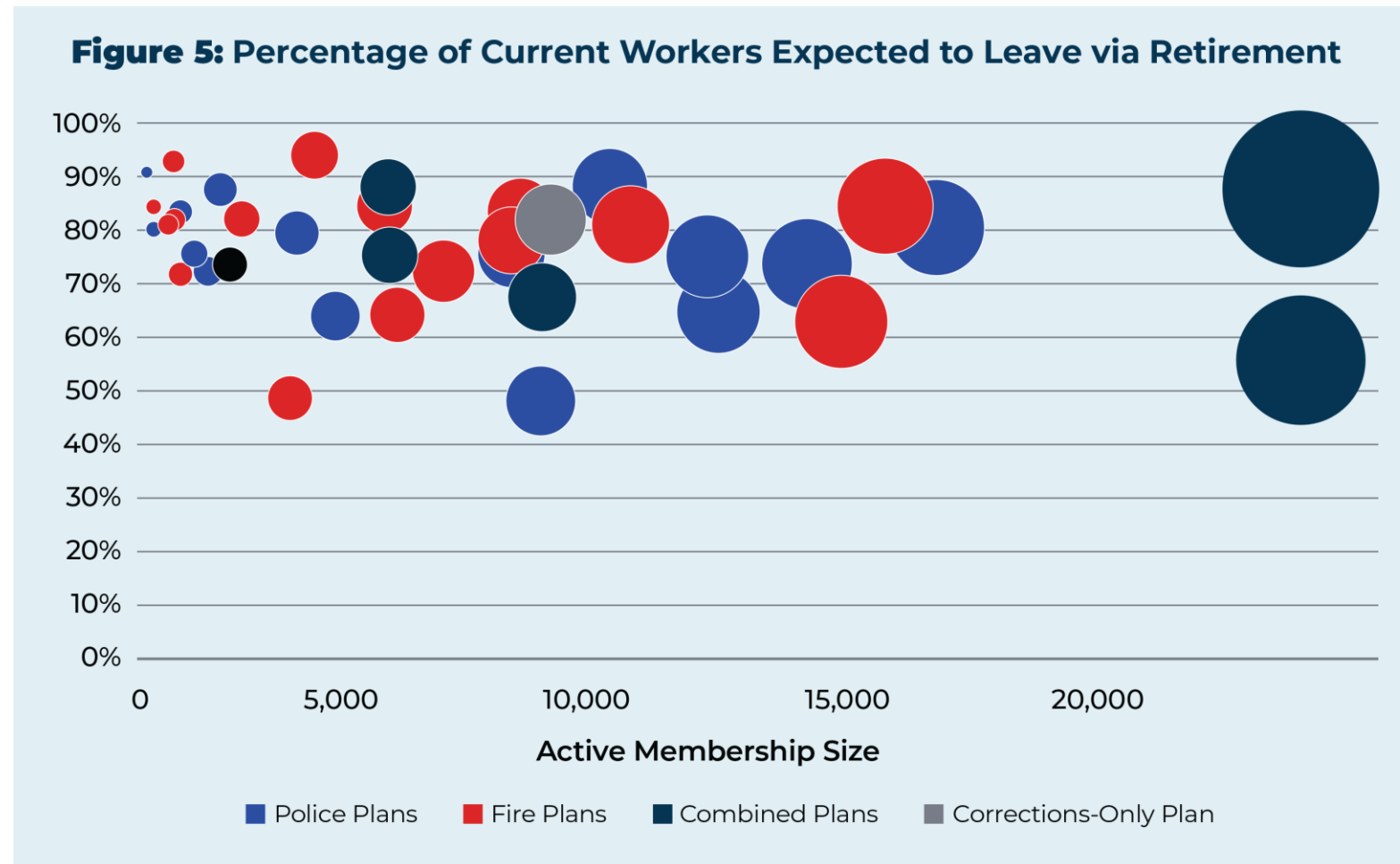


# More than Half Expected to Retire from Plan

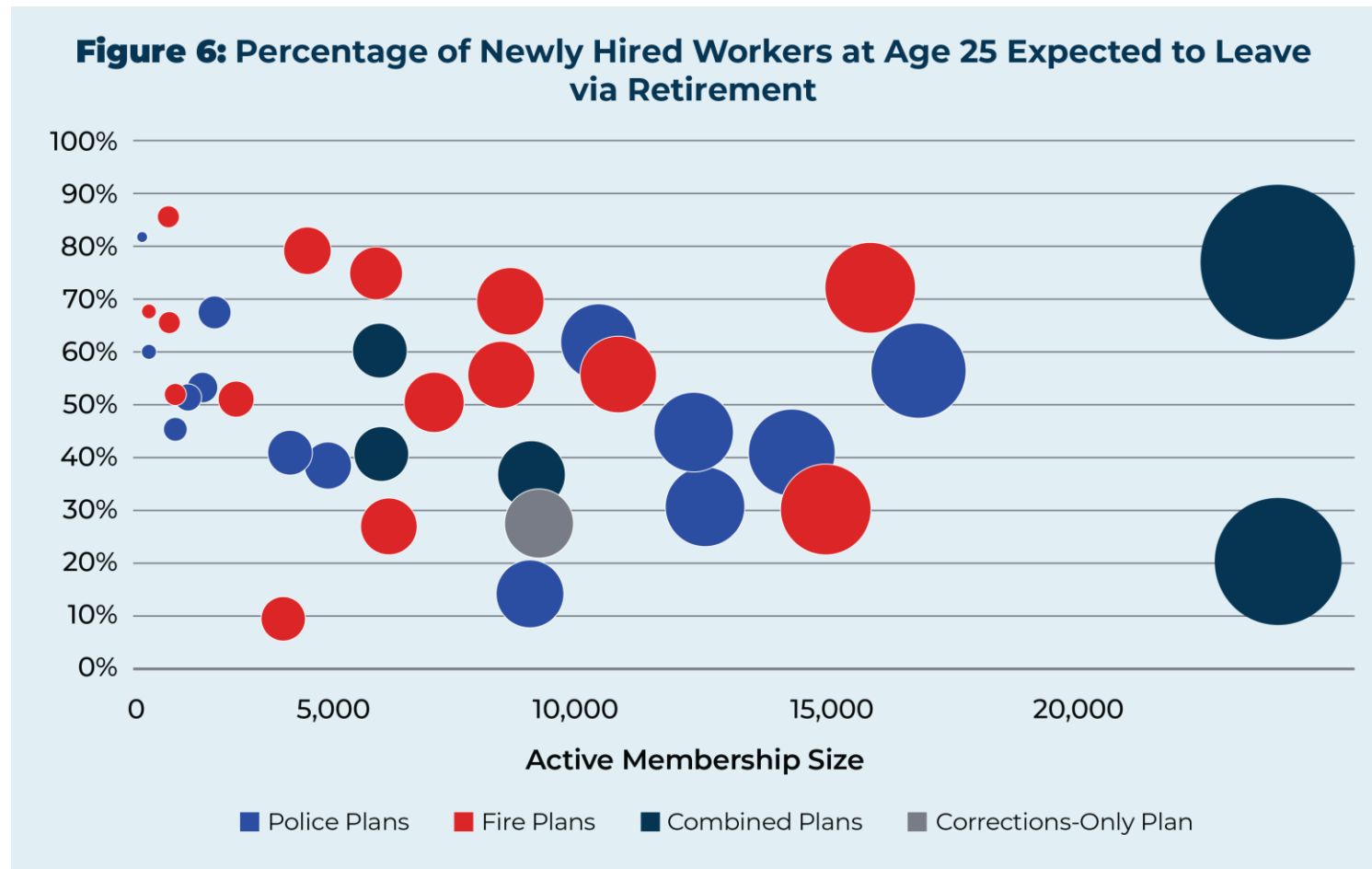
**Figure 4: Projected Reason for Leaving Employment Among New Hires in Public Safety Plans**



# Across Plan Type, Majority Expected to Retire from Plan

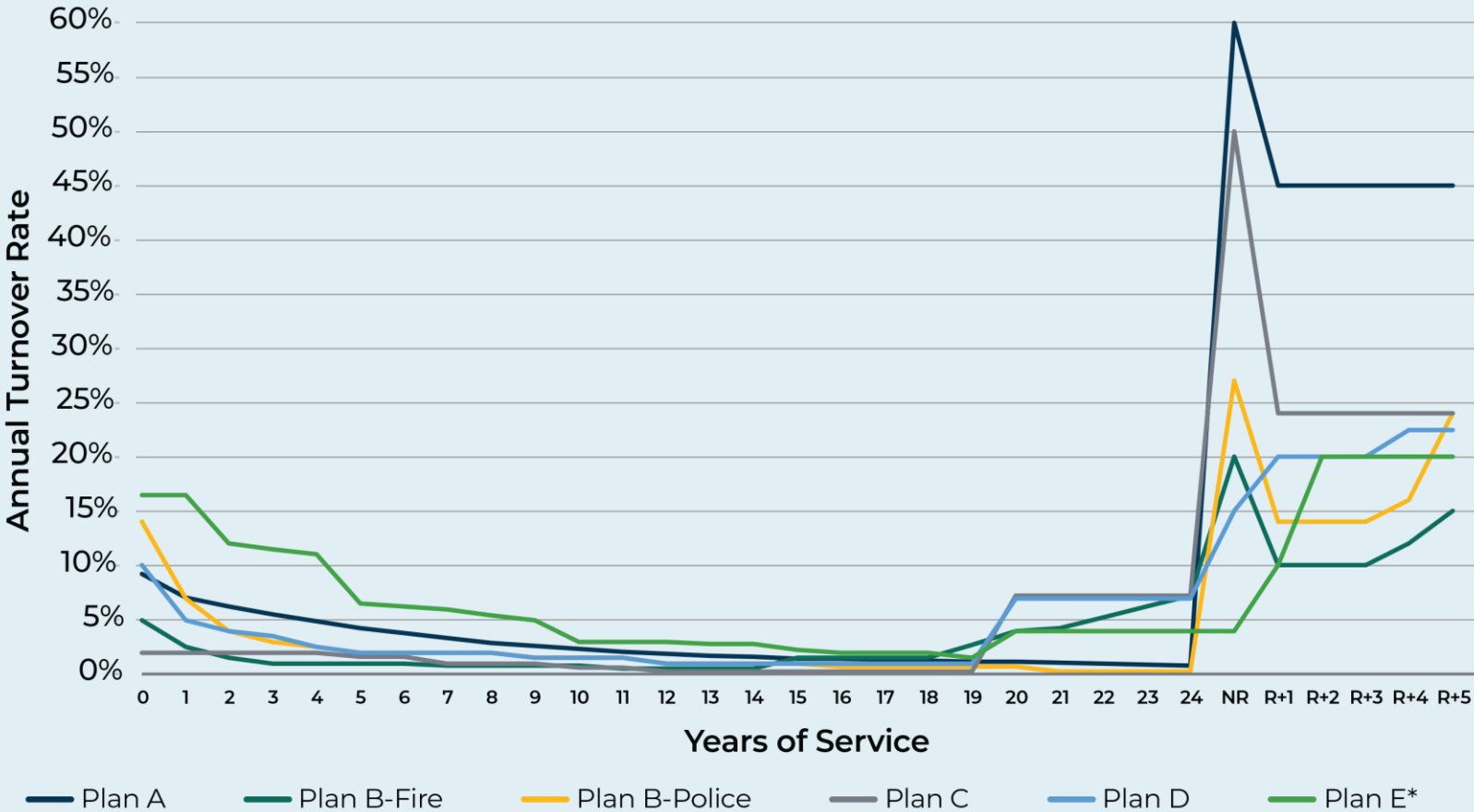


# Even Many New Hires Expected to Retire from Plan



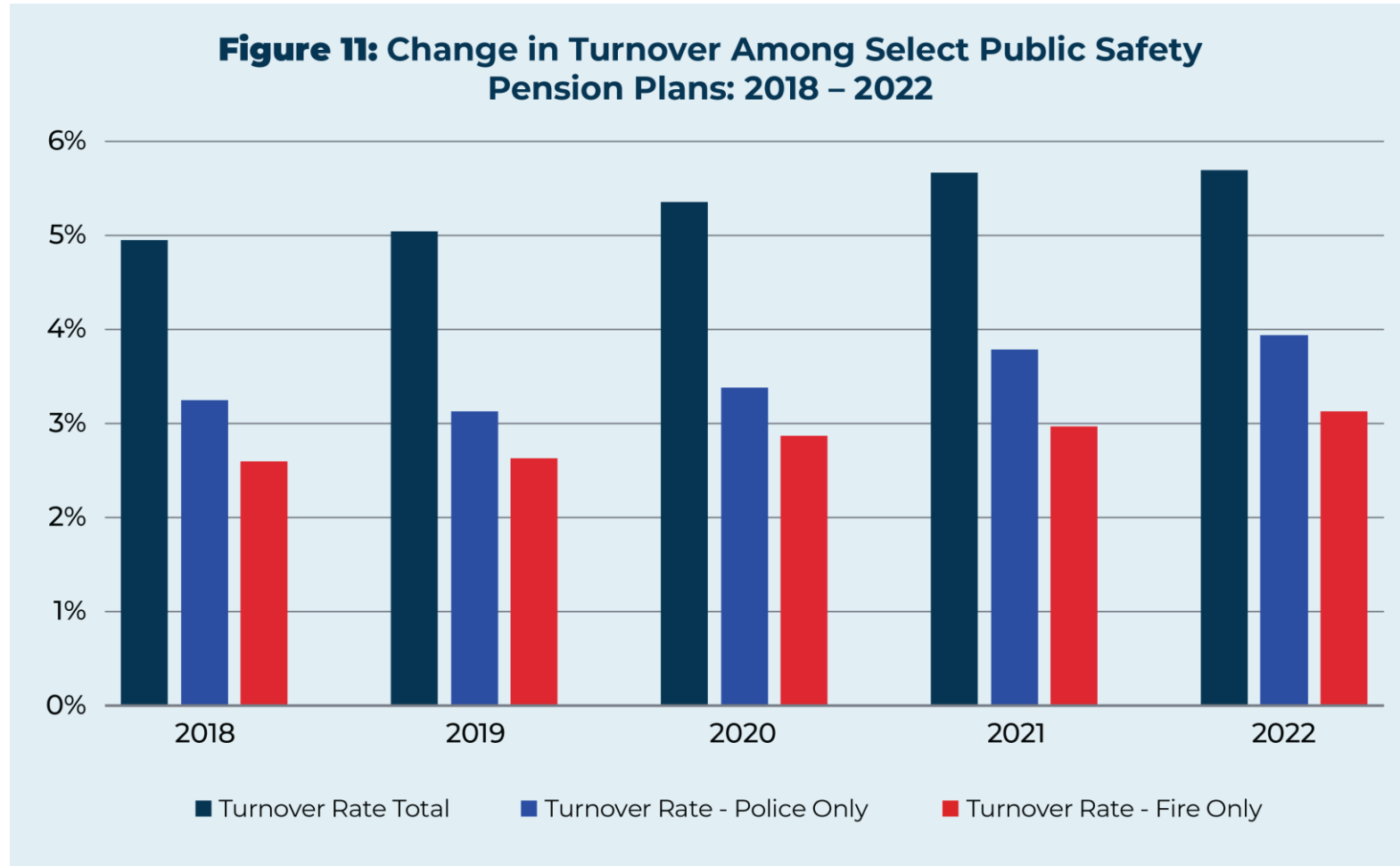
# Turnover is Very Low During Middle of Career

**Figure 7: Annual Turnover Rates for Public Safety Professionals Hired at Age 25**



\*Plan E includes corrections officers.

# Turnover Has Increased Slightly in Recent Years Across Sample of Plans



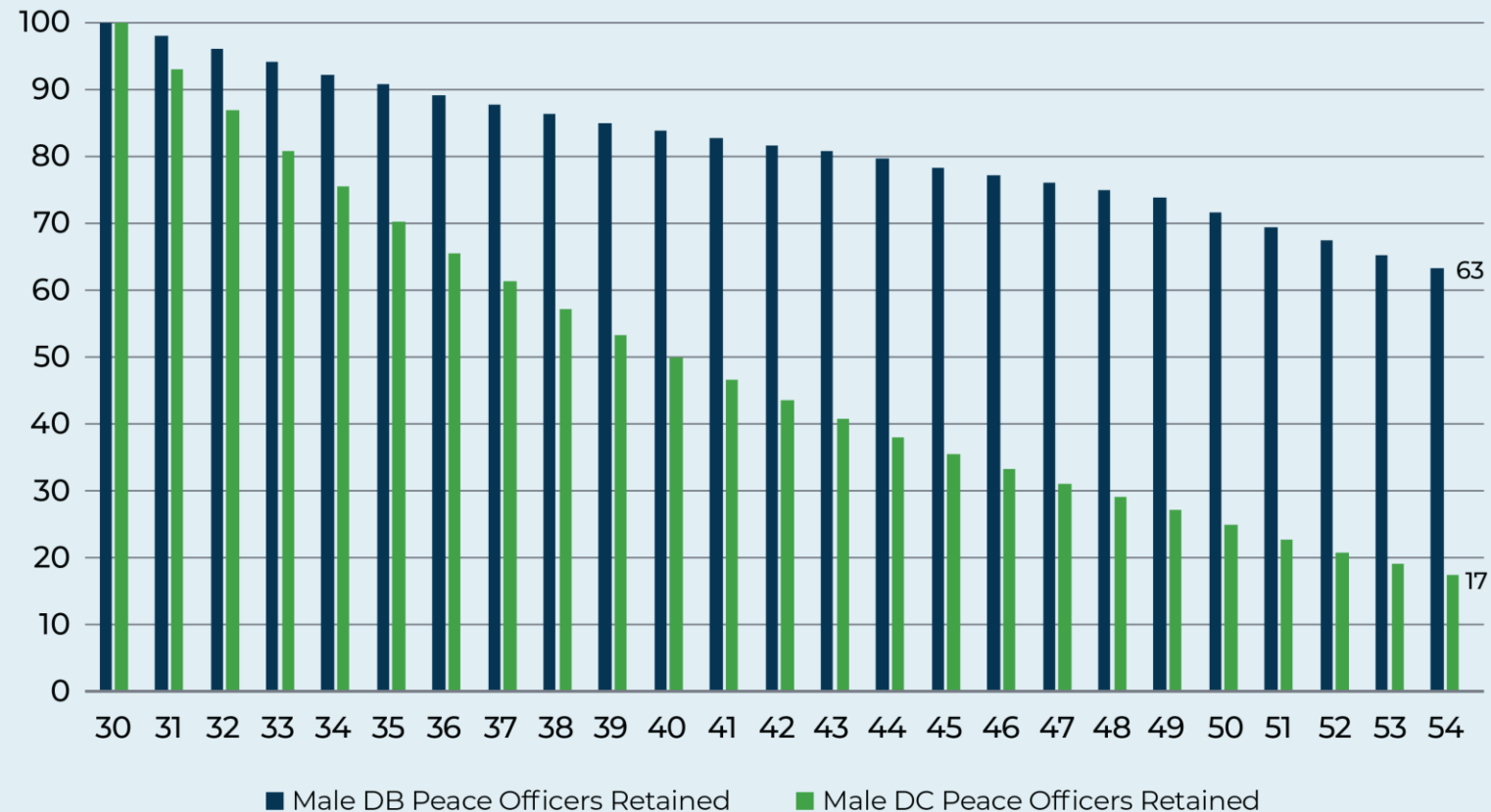
# Turnover Much Higher for Male Peace Officers in DC Plan in Alaska

Male Peace Officers who vest in Alaska are projected to provide:

- 20.5 years of service when in the DB plan
- 12.2 years of service when in the DC plan

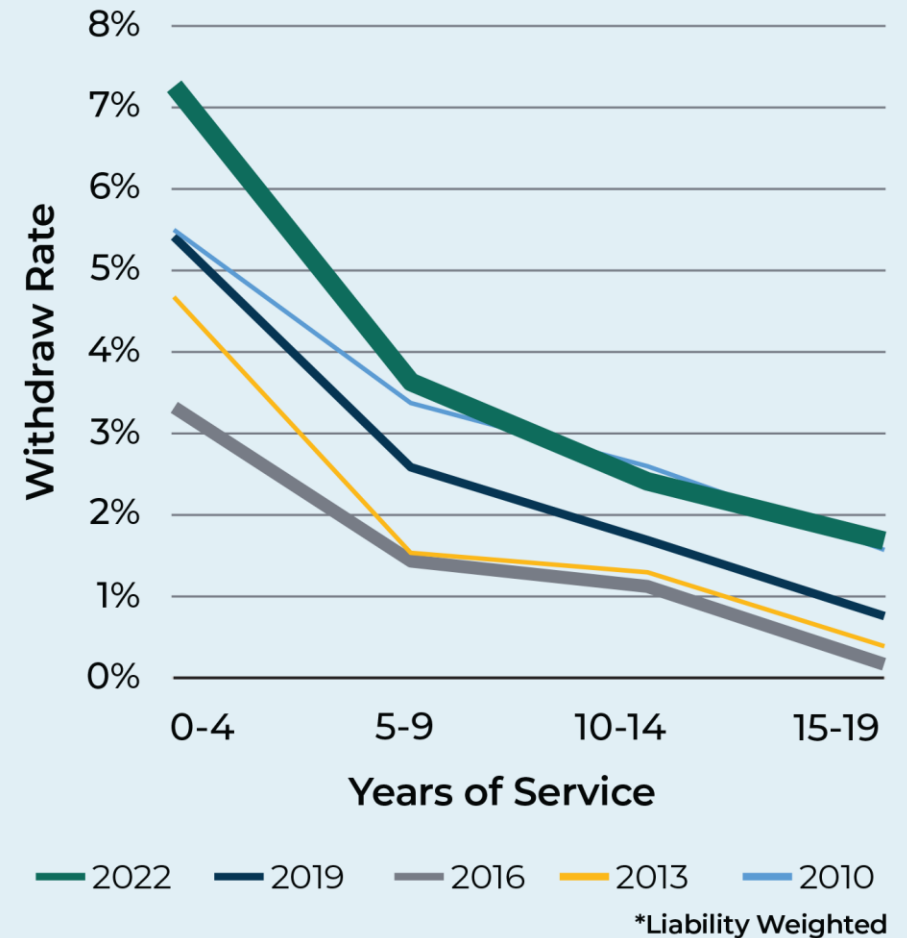
Those in DB plan are providing 67% more service after reaching vesting.

**Figure 8: Retention of Male Peace Officers in Alaska: DB & DC Plans Based on Ultimate Termination Rates**



# Turnover Higher in Recent Years in Rhode Island Following Switch to Hybrid Plan Design

**Figure 10: Turnover Experience in Rhode Island MERS Police and Fire Plan: 2004 - 2022**



# Retiree Healthcare & OPEB for Public Safety

Retiree Healthcare is of particular interest to Public Safety retirees because:

- Public Safety members can retire at earlier ages (often before Medicare eligibility).
- While Medicare is different than Social Security in that generally anyone hired after 1986 participates, health coverage prior to Medicare eligibility can be very expensive.
- Pre-Medicare healthcare is more expensive for both the retiree health plan and the retiree.



# Retiree Healthcare & OPEB for Public Safety

Public Safety retirees are frequently offered the same Retiree Health plan as other State retirees:

- If subsidized coverage is service related, public safety retirees can be at a disadvantage due to lower service at retirement,
- some retiree health plans have additional service requirements beyond normal retirement eligibility, and
- some Public Safety retirees work other jobs after retirement and may or may not be able to access the retiree health plan when they fully retire.

# Questions

