Introduction

In May 2000, the Southern Office of the Council of State Governments, the Southern Legislative Conference (SLC), released a **Regional Resource** entitled “Recent Developments in State Retirement Systems in the Southern Legislative Conference (SLC) States.” This Regional Resource focused on emerging trends in the state retirement systems of the 16 Southern states belonging to the SLC by comparing retirement system data for 1992, 1997 and 1998. While noting that the performance of the U.S. economy had been most impressive in the years leading to the publication of this review, the Regional Resource also noted that state and local government retirement system portfolios had flowered at an unprecedented rate, too. The report then concluded that “[Y]et, it is important that policymakers continue to monitor the performance of these portfolios in the context of possible negative economic times in the future.” By March 2000, the stock market had reached its peak and had begun a downward trajectory that was to continue for the next three years. Furthermore, the economy began grinding to a halt and March 2001 signified the beginning of a recession, albeit short-lived, that continues to persist in the form of very sluggish job and government growth.

In an effort to revisit the issue of public retirement system trends, this October 2004 report draws heavily on the background section of the aforementioned May 2000 Regional Resource.

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3Ibid., page 4.


20There has been a spate of articles in media outlets across the country probing the financial status...
of the nation’s public retirement systems. This reporting has been particularly pronounced in the aftermath of the 2000-2002 stock market declines when the shriveling asset base of these retirement funds prompted all sorts of inquiries and analysis by a range of different investigative bodies and interested parties.


Chapter 1: History and Origins of Public Sector Retirement Systems


2Raymond, Jeannine Markoe, Director of Federal Relations, National Association of State Retirement Administrators, presentation before the National Association of State Budget Officials (NASBO) fall meeting, October 8, 2004.


4Ibid.


8Raymond, Jeannine Markoe, NASBO presentation.


Chapter 2: Sources of Retirement Income: Social Security, Private Savings and Corporate Pension Plans


2Mr. Frank Bane resigned from the post of executive director of the Social Security Board in 1938 to accept the position of the first executive director of the newly-founded Council of State Governments (CSG). Mr. Bane went on to serve at the helm of CSG for another 20 years, 1938-58.

3For an extended discussion of the federal-state unemployment insurance program, see Sujit M. CanagaRetna, Unemployment Insurance in a Diminishing Economy: Recent Trends in the Southern Legislative Conference States, July 2002.

4Unless otherwise specified, details on the key elements of the Social Security program are drawn from the 2004 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Social Security Administration, March 2004.


6Ibid.


8Ibid.


10Ibid.
Chapter 3: Economic and Fiscal Variables Influencing Public Sector Retirement Systems


17. Belt, Bradley, D, Executive Director, Pension Benefit Guaranty Corporation, Testimony before the United States Senate on October 7, 2004.


19. *Ibid.* (Unless otherwise specified, information in this section draws on this source.)


27. Belt, Bradley, D, Testimony before the United States Senate on October 7, 2004.


38. “Pension Agency Deficit Mounts,”


1*www.nber.org.*

4“An Analysis of the President’s Budgetary Proposals for Fiscal Year 2005,” Congressional Budget Office (CBO), March 2004, Washington, D.C.


6“24 Mutual Funds Have Made 1,000% in 10 Years,” USA Today, March 27, 2000.

7“Your Portfolio-Looking Beyond the Bear,” Investment Outlook, TD Private Client Group, Volume 4, Issue 3. Unless otherwise specified, information related to the decline of the stock market is extracted from this source.

8www.djindexes.com

9www2.standardandpoors.com

10www.nasdaq.com

11www.russell.com


Chapter 4: Analysis of Federal Government Data on Public Sector Retirement Systems


2Ibid.


4“Moore Seeks Pension Security,” The [Raleigh, North Carolina] News & Observer, February 12, 2003. Interestingly, this article also commented on the efforts of State Treasurer Richard Moore, the guardian of the state pension fund, to change the state constitution to prevent governors from seizing contributions to the fund to balance the state budget.


6The federal data on state and local government retirement systems also includes information on the District of Columbia. In fact, the District of Columbia had the lowest number of participants, 11,604 members, in its retirement system in 2002.

7The following table provides the population in the 50 states and the District of Columbia on July 1, 2002.

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Population (July 1, 2002)</th>
<th>Geographic Area</th>
<th>Population (July 1, 2002)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>287,973,924</td>
<td>Missouri</td>
<td>5,669,544</td>
</tr>
<tr>
<td>Alabama</td>
<td>4,478,896</td>
<td>Montana</td>
<td>910,372</td>
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<td>Alaska</td>
<td>641,482</td>
<td>Nebraska</td>
<td>1,727,564</td>
</tr>
<tr>
<td>Arizona</td>
<td>5,441,125</td>
<td>Nevada</td>
<td>2,167,455</td>
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<tr>
<td>Arkansas</td>
<td>2,706,268</td>
<td>New Hampshire</td>
<td>1,274,405</td>
</tr>
<tr>
<td>California</td>
<td>35,001,986</td>
<td>New Jersey</td>
<td>8,575,252</td>
</tr>
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<td>Colorado</td>
<td>4,501,051</td>
<td>New Mexico</td>
<td>1,852,044</td>
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<td>Connecticut</td>
<td>3,458,587</td>
<td>New York</td>
<td>19,134,293</td>
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<td>Delaware</td>
<td>805,945</td>
<td>North Carolina</td>
<td>8,305,820</td>
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<td>DC</td>
<td>569,157</td>
<td>North Dakota</td>
<td>633,911</td>
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<td>Florida</td>
<td>16,691,701</td>
<td>Ohio</td>
<td>11,408,699</td>
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<td>Georgia</td>
<td>8,544,005</td>
<td>Oklahoma</td>
<td>3,489,700</td>
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<tr>
<td>Hawaii</td>
<td>1,240,663</td>
<td>Oregon</td>
<td>3,520,355</td>
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<td>Idaho</td>
<td>1,343,124</td>
<td>Pennsylvania</td>
<td>12,328,827</td>
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<tr>
<td>Illinois</td>
<td>12,586,447</td>
<td>Rhode Island</td>
<td>1,068,326</td>
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<td>Indiana</td>
<td>6,156,913</td>
<td>South Carolina</td>
<td>4,103,770</td>
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<td>Iowa</td>
<td>2,935,840</td>
<td>South Dakota</td>
<td>760,437</td>
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<td>Kansas</td>
<td>2,711,769</td>
<td>Tennessee</td>
<td>5,789,796</td>
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<tr>
<td>Kentucky</td>
<td>4,089,822</td>
<td>Texas</td>
<td>21,736,925</td>
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<td>Louisiana</td>
<td>4,476,192</td>
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<td>Maine</td>
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<td>Vermont</td>
<td>616,408</td>
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<td>Maryland</td>
<td>5,450,525</td>
<td>Virginia</td>
<td>7,287,829</td>
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<td>Massachusetts</td>
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<td>Washington</td>
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<td>Michigan</td>
<td>10,043,221</td>
<td>West Virginia</td>
<td>1,804,884</td>
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<tr>
<td>Minnesota</td>
<td>5,024,791</td>
<td>Wisconsin</td>
<td>5,439,692</td>
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<tr>
<td>Mississippi</td>
<td>2,866,733</td>
<td>Wyoming</td>
<td>498,830</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Bureau of the Census, Annual Estimates of the Population of the United States and States, April 1, 2000 to July 1, 2003

8Once again, the percentage for the District of Columbia should be mentioned here (9 percent).

Chapter 5: Analysis of Information in The Council of State Governments’ Southern Office Survey


2This section draws on Brainard, Keith, Public Fund Survey; Summary of Findings, National Association of State Retirement Administrators, August 2003.


5Ibid.


20The CRPTF holds assets on behalf of the State Employees’ Retirement Fund; Teachers’ Retirement Fund; Municipal Employees’ Retirement Fund; Probate Court Retirement Fund; Judges’ Retirement Fund; State’s Attorneys’ Retirement Fund, Soldiers’ Sailors’ & Marines’ Fund; Endowment for the Arts; Agricultural College Fund; Ida Eaton Cotton Fund; Andrew Clark Fund; School Fund; Hopemead Fund; and Police & Fireman’s Survivors’ Benefit Fund.


35 Ibid., pages 2 and 3.


41 Ibid.

42 “State’s Pension System is Ranked Last Among Peers,” The Baltimore Sun, October 30, 2001

43 "Pension Officials Defend Record,” The Baltimore Sun, October 31, 2001

44 "Changes in Pension System Foreseen,” The Baltimore Sun, November 16, 2001

45 "Pension Fund Probe Revived,” The Baltimore Sun, August 28, 2002.


51 2003 Comprehensive Annual Report, Public Employees’ Retirement System of Mississippi.


53 "Bill deadline: Proposals for Teachers, Jail Fees Die,” The Mississippi Clarion-Ledger, March 19, 2004


“Ibid.”

“Ibid.”


State Pension Fund Ekes Out Positive Return in Bad Year,” The [Columbia, South Carolina] State, November 17, 2002


“Ibid.”


“Ibid.”


“Ibid.”


“Ibid.”


There has been a spate of articles in media outlets across the country probing the financial status of the nation’s public retirement system. This reporting has been particularly pronounced in the aftermath of the 2000-2002 stock market declines when the shriveling asset base of these retirement funds prompted all sorts of inquiries and analysis by a range of different investigative bodies and interested parties.


Jeannine Markoe Raymond, NASBO presentation.


Conclusion


Ibid., page 4.


