



## Key Findings and Insights

**01** Full Career Workers are served well by all plan types, including pension, defined contribution, guaranteed return, and hybrid plans. Individuals are very likely to accumulate adequate retirement income provided they spend their entire career covered by the same retirement plan.

- Measured against one another, one plan design might be preferable to another based on the absolute size of retirement income provided, the availability of guarantees, or the ability for members to have some control over their plan. But when measured against the benchmark of achieving 70% replacement of pre-retirement income, three out of four (78.2%) of public retirement plans are serving their Full Career members well.

**02** The largest segments of public sector workers are not being served well by their state retirement plans. This includes Short-Term Workers (the 55% who will leave before 10 years of service) and Medium-Term Workers (the 22% who will serve between 10 and 20 years).

- Only 11 out of all 335 state retirement plans offered to new members are serving Short-Term Workers well. This includes pension, defined contribution, guaranteed return, and hybrid plans. This is particularly worrisome because individuals working 10 years or fewer in the same plan make up around half of the public sector workforce at any given time.
- Pension plans are not serving Medium-Term Workers well, despite the fact that these individuals are putting in up to two decades of public service. Only 24 out of 220 state pension plans are providing sufficient benefits to put their members on a path to retirement income security by the time they reach two decades of service. That means 89% of pension plans are not working well for these workers.

**03** Some of the best-performing plans in the RSR are defined contribution plans for Full Career Workers. A key feature of these plans is that they have relatively high contribution rates, such as South Carolina's 14% of total payroll contributions for state, local, and public school workers.

**04** A few pension plans do work for Short-Term Workers (10 years or less), and generally this is when there is a high member contribution rate. Individuals can get these contributions out of the plan, usually with interest, when they leave their job.

**05** Retirement plans like "guaranteed return" and "hybrid" that combine elements of guarantees and individual accounts perform worse on average than straightforward pensions and defined contribution plans. These plan designs can provide helpful trade-offs to members who want to balance risk and mobility. But one of the trade-offs is lower benefit accumulation. Exceptions include Texas's guaranteed return plan for counties, and Oregon's hybrid plan for public safety.

**06** Two retirement plans serve all members well, regardless of Short-Term, Medium-Term, or Full Career: South Carolina Retirement System's "Optional Retirement Plan" (a defined contribution plan) and Tennessee Retirement System's "Hybrid Plan."

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