EQUABLE

STATE OF PENSIONS 2021

State of Pensions is an annual report on the status of public pensions put into a historical context. State and local governments face a wide range of challenges – growing, and unpredictable pension costs are some of the largest. The scale and effects of this challenge become evident when the status of public retirement systems today are considered within the view of the multi-decade financial trends that have brought us to this point.

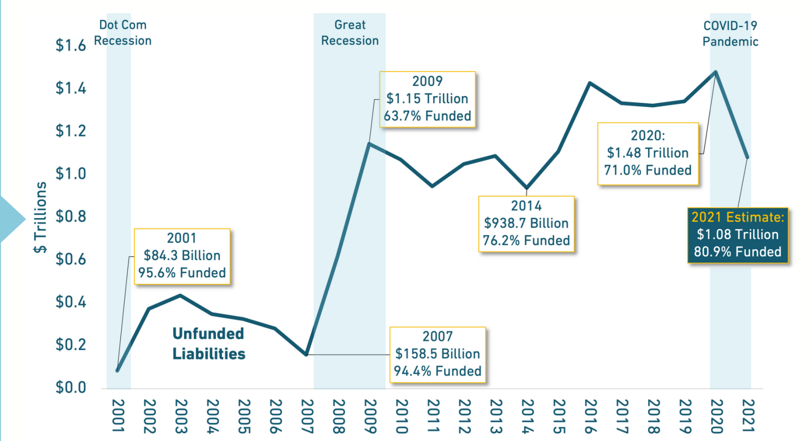
KEY TRENDS FOR 2021:

TREND 1:

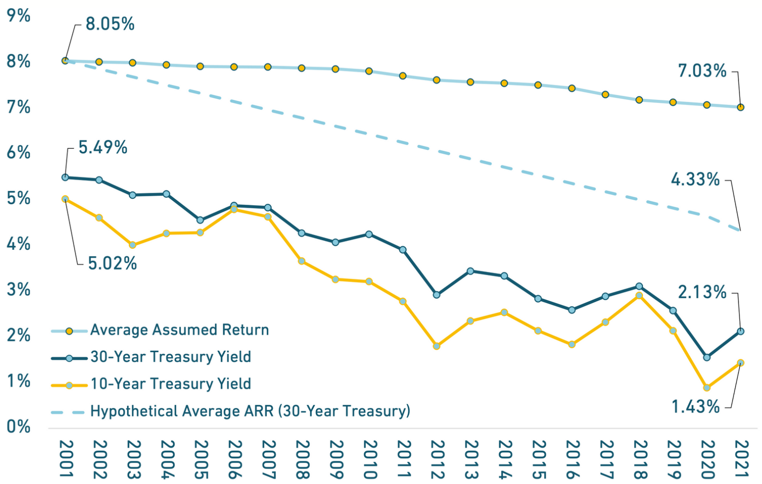
Record breaking investment returns have raised the funded ratio of U.S. statewide pension plans to 80.9%, a level last seen in 2008 amid the early days of the financial crisis and Great Recession.

Equable Institute's analysis finds that these record-breaking investment returns (20.7% on average), will cause unfunded liabilities to decrease to $1.08 Trillion in 2021, from $1.48 Trillion in 2020.

TOTAL UNFUNDED LIABILITIES FOR STATEWIDE PENSION PLANS, 2001-2021



ASSUMED RATE OF RETURN V. INTEREST RATES, 2001-2020



TREND 2:

While investment assumptions have been steadily falling and are currently at an all-time low, they are likely still too optimistic.

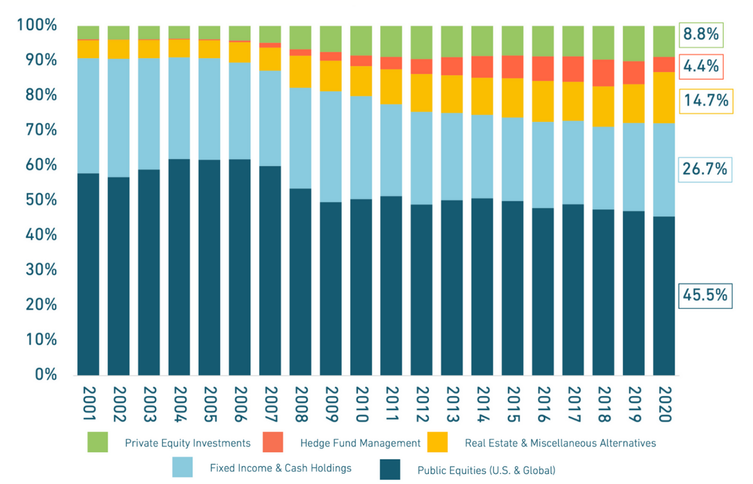
If assumed returns had kept pace with declining interest rates since 2001, the average assumption in 2020 would have been around 4.33%. Today, the average assumed rate of return is 7.03%.

TREND 3:

Asset allocations continue to shift toward riskier and less transparent alternatives, including hedge funds, private equity, and real estate.

The share allocated to hedge fund managers and private equity strategies has grown to 13.1% from 8.6% in 2008.

ASSET ALLOCATIONS OF STATEWIDE PENSION FUNDS, 2001-2020



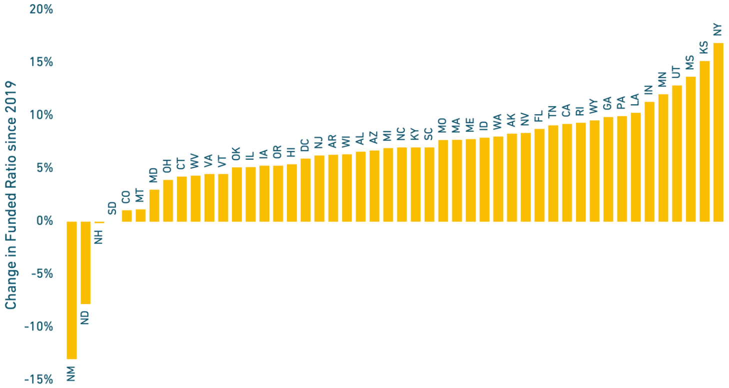
SEE REVERSE FOR MORE TRENDS

STATE OF PENSIONS 2021

DIVING DEEPER:

Understanding the State of Pension Funding in an Era of Accelerating Volatility

ESTIMATED CHANGE IN FUNDED RATIO BY STATE, FROM 2019-2021



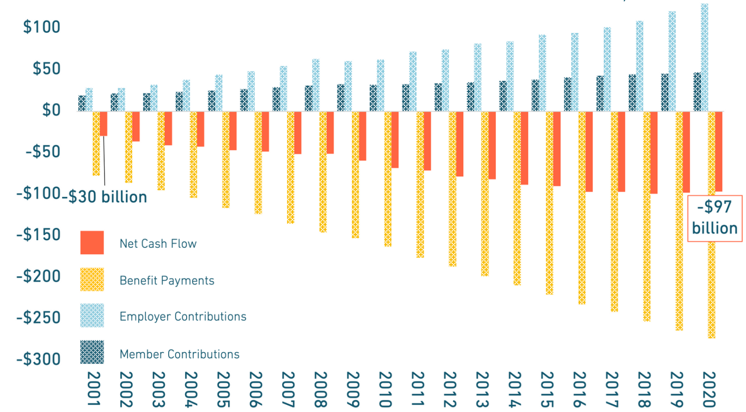
Financial market volatility meant most plans saw reduced funded ratios from 2019 to 2020, but these will be more than balanced out with 2021 investment performance.

Only New Mexico, North Dakota, and New Hampshire are likely to have their state plans collectively in worse financial condition than in 2019.

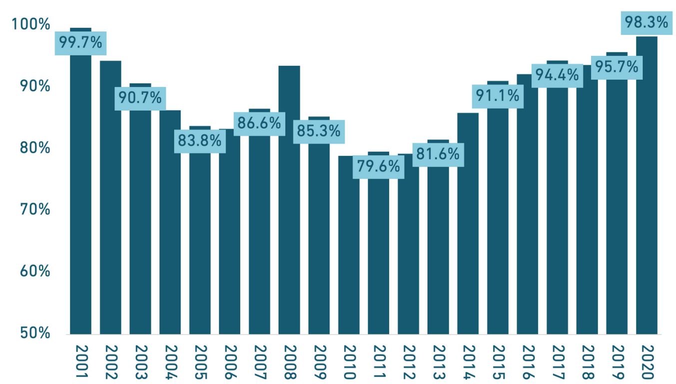
Negative net cash flows from contributions and benefit. payments have steadily increased over the past two decades, reflecting more "mature" pension plans.

The aggregate net cash flow is -$97 billion in 2020, up from -$30 billion in 2001, as benefit payments continue to outpace growth in member and employer contributions.

AGGREGATE CASH FLOW FOR STATEWIDE PENSION PLANS, 2001-2020



REQUIRED CONTRIBUTIONS PAID BY STATEWIDE PLANS, 2001-2020



States have made meaningful changes to their funding policies. 30 state retirement systems lowered their investment assumptions.

In the aggregate, states made 98.3% of required contributions to their retirement plans in 2020, the highest level since 2001.

Visit www.Equable.org/StateofPensions to download the full report and access interactive data visualizations.

For Media Inquiries:
Sam Shaw
Director of Communications
sam@equable.org
646-470-0824

About Equable Institute

Equable is a bipartisan non-profit that works with public retirement system stakeholders to solve complex pension funding challenges with data-driven solutions. We exist to support public sector workers in understanding how their retirement systems can be improved, and to help state and local governments find ways to both fix threats to municipal finance stability and ensure the retirement security of all public servants.