

Trends in State Retirement Systems

By Frank T. Baumgardner

Systems are battling back utilizing new plan structures, alternative investments, and corporate activism to improve their fiscal positions. The recent recession and current demographic trends have had a serious impact on state-administered public employee retirement systems. This article will present information about the current condition of state-administered public employee retirement systems, the problems they face, and the solutions they are employing.

Introduction

State-administered public employee retirement systems are among the largest institutional investors in the world. There are currently 218 state systems in the United States with a total 21.2 million active and inactive members. They command a total of \$1.8 trillion in retirement assets, making them major players in the financial markets.

Public employee retirement systems were founded as a means of social welfare, similar to Social Security, to provide public servants with sufficient retirement income. The recent recession and current demographic trends have had a serious impact on state systems. With systems seeing an erosion of their financial position, many are looking at alternative investments and increasing their role in corporate governance to help them return to a fiscal stability that will enable them to meet future obligations.

This article will present information about the current condition of state-administered public employee retirement systems, the problems they face and the solutions they are employing.

Overview

The number of state-defined benefit public employee retirement systems (218) has shown modest growth recently. Over the past decade, the number of state administered public employee retirement systems has grown by 28 from the 190 in fiscal year 1993. These new systems usually extended state retirement benefits to new classes of employees, such as local law enforcement personnel, legislators or judges.

Membership in a state-administered public employee retirement system is not limited to state employees; in fact, local governments employ more than two-thirds of the active employees covered by state systems. In 2003, local government employees were 69.5 percent, or 8.7 million, of the total 12.5 million state system active members.

State system assets totaled \$1.8 trillion in fiscal year 2003, or just over 83.2 percent of the total \$2.2 trillion held by all public employee retirement sys-

tems that year. These assets were distributed across several asset classes, but more than three-fifths were concentrated in corporate stocks or other securities:

- Corporate stocks were worth \$665.6 billion (36.9 percent)
- Other securities, which include investments held in trust by other agencies, mutual funds, foreign and international securities, conditional sales contracts, and other securities classifications totaled \$442.6 billion (24.6 percent)

The remaining \$694.5 billion in assets (38.5 percent) were distributed across a variety of other investments including corporate bonds, federal government securities, mortgages, real estate holdings and savings deposits.

System Size

State-administered public employee retirement systems are very large organizations. Ninety of the 218 systems had membership greater than 25,000 in 2003. The six largest systems individually had membership greater than the population of Wyoming (507,000) and the combined membership of the 10 largest (7,800,000) exceeds the population of Virginia (7,500,000).¹ The 10 largest systems and their memberships were:

- California Public Employees Retirement System (CalPERS) (1,480 thousand)
- Texas Teachers Retirement System (1,080 thousand)
- New York Public Employees Pension and Retirement System (964 thousand)
- Florida State Management Services Retirement System (892 thousand)
- Ohio Public Employees Retirement System (797 thousand)
- California Teachers Retirement System (CalSTRS) (720 thousand)
- Virginia Employees Retirement System (505 thousand)
- Wisconsin Employees Retirement System (487 thousand)

Table A
Percent Distribution of Assets in
State Public Employee
Retirement Systems:
Fiscal Years 1997, 2002 and 2003

<i>Asset Class</i>	2003	2002	1997
Corporate stocks	36.9%	36.9%	34.8%
Total other securities (a)	24.6	21.8	20.3
Corporate bonds	14.4	16.3	15.2
Federal governmental securities	10.1	10.2	18
Cash and short-term investments	4.4	5.1	4.7
Mortgages held directly	1.2	1.1	1
Total other investments (b)	8.5	8.6	6.1

Key:

(a) Total Other Securities includes: investments held in trust by other agencies, securities of state and local governments, foreign and international securities, shares held in mutual funds, conditional sales, contracts, direct loans, loans to members, etc.

(b) Total Other Investments includes: real property, venture capital, partnerships, real estate investment trusts, and leverage buy-outs.

- North Carolina Teachers and State Employees Retirement System (469 thousand)
- Michigan Public School Employees Retirement System (468 thousand)

In addition to their large membership, state systems administer an enormous wealth of funds. An annual compilation of retirement fund data by *Pensions & Investments* magazine shows state-administered public employee retirement systems hold 7 of the top 15 spots in the world when ranked in terms of total retirement asset holdings. The top six in membership cited above hold more retirement assets than major corporations such as GE, IBM, Boeing, Verizon, Ford, AT&T or Daimler Chrysler.²

Membership and assets are concentrated in the largest systems. The largest 21 of the 218 systems accounted for 56.4 percent of total membership of all state systems in fiscal year 2003. These same systems also control 58.1 percent or \$1,047.7 billion of the total \$1,802.7 billion state retirement system assets.

The concentration of such large asset holdings in these top systems has made them very important players in the corporate world. Over the last several years, many systems have shown an increasing interest in influencing the direction of corporate boards.

Membership

State-administered public employee retirement systems had 21.2 million members in 2003, a 3.1 percent increase from 2002. Total membership has grown by 6.0 million or 39.5 percent over the past

decade, while active membership increased 2.3 million (22.6 percent) and inactive membership increased 1.8 million (127.2 percent) over that period. Of the current 21.2 million members, 12.5 million are active members, 5.4 million are current beneficiaries, and 3.3 million are inactive members. Active members are employees who currently contribute to the system while inactive members are former employees or employees on military or other extended leave who retain retirement credits in the system.

Receipts

State-administered public employee retirement systems are funded in three ways:

- Current active members of systems (employees) pay contributions.
- Governments (employers) also make contributions
- Fiduciaries invest the system assets and earn returns on investment.

Total receipts for fiscal year 2003 were \$130.0 billion. Earnings on investment constituted 52.5 percent (\$68.2 billion) of total receipts, government contributions made up 28.5 percent (\$37.0 billion), and employee contributions the remaining 19.1 percent (\$24.8 billion).

Fiscal year 2003 did see a turnaround on investment earnings, which were \$68.2 billion compared with the prior fiscal year's net loss of \$63.5 billion. Even so, the 2003 figure was far less than the pre-recession levels that routinely averaged in the hundreds of billions of dollars.

Employee and government contributions both increased in fiscal year 2003. Employee contributions grew 7.7 percent from \$23.0 billion to \$24.8 billion. Government contributions grew by a much larger margin, from \$32.0 billion to \$37.0 billion, or just over 15.4 percent, in the same period.

Payments and Other Outlays

Total state retirement expenditures, or outlays, for 2003 were \$109.0 billion, an 11.1 percent increase from 2002 (\$98.2 billion). There are three types of outlays: benefit payments, withdrawals, and administrative and miscellaneous payments.

The largest outlay, benefit payments, totaled \$98.8 billion for fiscal year 2003, an 11.4 percent increase from the 2002 level (\$88.7 billion). Benefit payments made up 90.6 percent of total outlays for the year. Withdrawals accounted for 3.9 percent of outlays, totaling \$4.2 billion, and increased 29.6 percent from the prior year (\$3.3 billion). Administrative and miscellaneous expenses constituted the remaining 5.5

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percent of total outlays, totaling \$6.0 billion, a decrease of 3.6 percent from 2002 (\$6.3 billion).

Beneficiaries and Monthly Benefit Payments

There were a total 5.4 million beneficiaries of state-administered public employee retirement systems in fiscal year 2003. This is an increase of 4.6 percent over the prior year. Of those, 85.6 percent (4.6 million) were retired on account of age or service, 6.3 percent (342,000) were retired on account of a disability, and 8.0 percent (436,000) were survivors of deceased former active members. These numbers increased by 4.3 percent, 6.5 percent, and 7.3 percent respectively from the prior year.

Monthly benefit payments averaged \$1,449 for 2003, an increase of 5.5 percent from the previous year. These payments varied widely across the country. Retirement systems in Connecticut averaged the highest (\$2,112), followed by Wisconsin (\$2,075) and Colorado (\$2,055), while systems in Iowa (\$846), Indiana (\$827), and Kansas (\$822) had the lowest. Many factors influence these numbers including cost of living, inflation, and the composition and number of beneficiaries. Average benefit payments have consistently exceeded inflation rates over the past decade putting increasing pressure on systems.

The ratio of annuitants to active members increased to 43.2 percent in 2003 from 41.8 percent in 2002. This number likely will continue growing as the baby boomers begin to retire. The increase of the annuitant-to-active-member ratio has far-reaching implications on funding.

Receipts Compared with Payments

Systems must increase their funding reserves each year to cover future liabilities. These liabilities grow along with membership and inflation, so systems work to ensure a net inflow of funds to meet their future financial commitments.

Receipts exceeded payments in fiscal year 2003 by \$20.9 billion. This is in contrast to 2002 when funds showed a net outflow of \$106.7 billion. Although the net outflow in fiscal year 2002 damaged the financial position of the systems, several prior years showed very large net inflows of funds averaging in the hundred billions of dollars. This is not to say that the large net outflow in 2002 was not significant: it was, however, it is important to remember that retirement system fiduciaries and actuaries plan for the cyclical nature of the business cycle and have built assumptions into their plans to buffer against it.

Investments and Assets

Total asset holdings of state-administered public employee retirement systems for fiscal year 2003 were \$1,803 billion, up from \$1,775 billion in 2002. These assets were distributed across several classes, as seen in Table A.

The distribution of assets in 2003 was largely unchanged from the prior year. The percentage of cash and short-term investments, corporate bonds, and total other investments decreased slightly while the percentage of total other securities increased proportionately.

Comparing 2003 to 1997 highlights the redistribution of assets from traditional asset classes to other types of securities. Although the percentage distribution of most asset classes held relatively stable over the period, total other securities increased sharply while federal government securities decreased significantly.

The systems are investing larger proportions of their funds in alternative asset classes such as: investments held in trust by other agencies, securities of state and local governments, foreign and international securities, shares held in mutual funds, conditional sales, contracts, direct loans, loans to members and the like. There are several possible reasons fund managers are opting for some reallocation—low interest rates; the downturn in the stock market; emerging markets abroad; and opportunities in private equity offering growth opportunities.

Current Issues

Funding considerations dominate discussions concerning public employee retirement systems. System administrators must earn consistently high yields to keep up with their actuarial liabilities. Poor investment returns require systems to either increase employer contributions or limit benefits, both difficult measures.

The recent stock market decline, changing demographics, and the increasing costs of health care have placed considerable burden on retirement systems, making it difficult for some to keep up with their actuarial liabilities. As in the private sector, some state governments are considering switching retirement structures from defined benefit to defined contribution to minimize the government's exposure to market risk. Others are utilizing alternative investments and increasing their role in corporate governance to ensure they reap maximum returns on their investments. This section will address the funding problems now facing systems, the alternative benefit structures they are considering, and some of the

alternative investment solutions they are employing.

Funding Levels

Most public pensions are pre-funded, meaning assets for retirement benefits accumulate during a participant's pre-retirement years.³ An actuarial funding level can be used to gauge a pre-funded plan's health. This is calculated by dividing the plan's assets by its liabilities for accrued benefits. A fully funded pension plan has assets equal to its liabilities and a ratio of 100 percent. A system whose assets are less than its liabilities is underfunded. This does not mean that the system will not be able to meet its benefit obligations, but that it will need more funding to meet them in the long term.

The Public Fund Survey, conducted annually by the National Association of State Retirement Administrators (NASRA), showed a significant decrease recently in the actuarial funding level for the 125 state retirement systems included in the survey: 91.1 percent in 2003, down from 96.3 percent in 2002, and 100.9 percent in 2001.⁴ The research director for NASRA cited two factors causing the drop in this ratio: the declining equity market and the generous benefit enhancements of the late 1990s.⁵

Other factors related to system funding issues are increasing life expectancy and underpayment by the government, especially during times of fiscal stress and rising health care costs. With many systems providing health care benefits to their retirees, this is becoming an important financial factor since healthcare costs are growing rapidly and are difficult to predict. In fact, *The Economist* magazine reports that the future burden of healthcare costs could easily be as great as the cost of pensions.⁶

Changing demographics exacerbate these problems. Systems have more retirees, who are in turn living longer, increasing the ratio of annuitants to active members. Annuitants typically require more service than active members, increasing administrative expenses and placing a strain on funding. More annuitants also require plans to be more liquid to be available to pay benefits, inevitably placing assets in less lucrative classes leading to smaller returns.⁷

Defined Benefit and Defined Contribution Plans

Due to the financial problems defined benefit plans are now facing, both public and private sector employers are examining alternative structures to relieve their pension burdens. These include defined contribution plans, such as 401(k)s, and hybrid systems.

In a defined benefit retirement plan, the payments

an employee receives upon retirement are defined by an agreement between the employer and the employee. In a defined contribution plan, the contributions the employee and employer make are defined; however, the end retirement benefits depend upon the growth of the contributions rather than an agreed upon allotment.

Defined benefit plans have several advantages for employees. Primarily, they shift the market risk to the employer, which gives employees greater financial stability in retirement. In addition, many plans protect against inflation by earmarking benefit payments to some measure such as the Consumer Price Index. There are also disadvantages for the employees; since these systems are typically structured to reward longer service, the rules of defined benefit plans usually hinder a member's mobility.

Employers benefit by offering defined benefit retirement plans because their stability helps attract and retain a quality workforce and increase diversity.⁸ This comes at a financial cost, however, since employers take on the market risk.

Defined contribution plans offer employees more career mobility and greater control over their retirement planning. Smart investing and saving could provide greater returns; however, because professional fiduciaries rather than individual members administer defined benefit plans, members in defined contribution plans typically earn lower rates of return.⁹ Employees also shoulder the market risk so their benefits are not guaranteed.

Defined contribution plans effectively shift the market risk from the employer to the employee, a major advantage for employers. Since defined contribution plans are often not as appealing to prospective employees, in a competitive employment market this can make attracting and retaining employees more difficult.

Some private pension plans are developing hybrid systems, attempting to share the market risk between both the employer and the employee, which might be adapted by public systems in the future. GE, for example is developing a system that would allow defined contribution participants to invest their money in a fund which would mirror the GE defined benefit plan investment lineup and provide for a minimum 5 percent guaranteed return.¹⁰

Move to Alternative Asset Classes and Corporate Activism

In addition to examining alternative retirement offerings, pension funds are turning to alternative

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investments and corporate activism to ease their funding problems. Pensions and Investments magazine reported, "CalPERS moved approximately 17 billion to alternatives at the expense of traditional asset classes over the past three or four years."¹¹ This constitutes nearly 10.0 percent of its \$170.7 billion in asset holdings. Other funds are considering similar moves into alternative investments. CalSTRS, for example, is considering hedging, emerging market bonds, and other non-traditional assets as a way to generate greater returns.¹²

State public employee retirement funds are also increasing their role in corporate governance to assure that businesses act in ways that best benefit the financial interests of the systems. This movement began in the early 80's when CalPERS began publishing "focus lists" of companies with bad corporate governance.¹³

Fiduciaries have continued to take a growing interest in utilizing their shareholder rights. NASRA has asked the Securities and Exchange Commission to allow proxy voting reforms that will help them, "exercise the rights of shareholder ownership in order to promote the best economic interests of plan members and beneficiaries."¹⁴ NASRA says, "(their) best alternative is to address problematic situations by improving the boards to reflect an appropriate shareholder perspective."

Perhaps the best-known recent example of a pension fund using its proxy rights to influence the direction of a corporate board occurred this year when CalPERS led a campaign against the Disney Corporation chairman and succeeded in stripping him of his role.¹⁵ With such large asset holdings, many of these systems control large portions of major corporations. It will be interesting to watch their influence on corporate governance over the next several years.

Author's Note

This article is released to inform interested parties of ongoing research and to encourage discussion of work in progress. The views expressed on technical issues are those of the author and not necessarily those of the U.S. Census Bureau.

Notes

¹Table 1: Annual Estimates of the Population for the United States and States, and for Puerto Rico: April 1, 2000 to July 1, 2004 (NST-EST2004-01), Source: Population Division, U.S. Census Bureau, (Release Date: December 22, 2004).

²Vince Calio, "Mega Funds," Pensions & Investments, (September 20, 2004) P&I/Watson Wyatt World 300. Ranked by U.S. dollars, in millions. U.S. fund data is from the P&I 1000, published January 26; all other fund data as of December 31, unless otherwise noted.

³Keith Brainard, "Public Fund Survey Summary of Findings FY 2003," (September 2004).

⁴Rob Kozlowski, "Funding levels for Public Plans fall in FY03," *Pensions & Investments*, (November 1, 2004).

⁵See note 3 above.

⁶"Enough to live on," *The Economist*, (March 25, 2004).

⁷See note 3 above.

⁸Gary W. Anderson and Keith Brainard, "Profitable Prudence: The Case for Public Employer Defined Benefit Plans," (April 26, 2004).

⁹See note 2 above.

¹⁰Phyllis Feinberg, "DC offering linked to GE pension plan on the way," *Pensions & Investments*, (August 9, 2004).

¹¹Christine Williamson, "CalPERS separates alpha, beta," *Pensions & Investments*, (November 15, 2004).

¹²Joel Chernoff, "CalSTRS joins hunt for alpha," *Pensions & Investments*, (July 12, 2004).

¹³"Profit huggers," *The Economist*, (April 1, 2004).

¹⁴Letter to Mr. Jonathan G. Katz, Secretary of Securities and Exchange Commission, from NASRA, December 22, 2003.

¹⁵Paul R. La Monica, "Eisner out as Disney chair," *CNN Money*, (March 4, 2004). <http://money.cnn.com/2004/03/04/news/companies/disney/>.

About the Author

Frank Baumgardner is a statistician with the U.S. Census Bureau. He received a B.S. from Miami University in economics and decision sciences. He began his career with the U.S. Census Bureau in 2003 with the Governments Division where he focuses on state and locally administered public employee retirement system statistics.

**TABLE B
MEMBERSHIP AND BENEFIT OPERATIONS OF STATE-ADMINISTERED EMPLOYEE RETIREMENT SYSTEMS,
LAST MONTH OF FISCAL YEAR: MARCH 2003**

State	Total membership			Total active members			Total inactive members			Beneficiaries receiving periodic benefit payments				Periodic benefit payments for the month (dollars)				Average monthly benefit payment
	Total membership	Total active members	Total inactive members	Total (a)	Retired by service	Retired on disability	Survivors	Total (a)	Retired by service	Retired on disability	Survivors	Total (a)	Retired by service	Retired on disability	Survivors			
United States	21,209,882	12,538,604	3,250,341	\$ 4,420,937	4,642,902	342,286	435,749	\$7,852,487,401	\$7,013,919,983	\$462,604,657	\$375,962,761	\$1,449						
Alabama	326,639	214,895	25,360	86,384	74,348	6,135	5,901	114,777,439	105,330,442	5,142,580	4,304,417	1,329						
Alaska	94,676	46,526	20,924	27,226	24,479	538	2,189	46,841,362	43,770,450	933,249	2,137,663	1,720						
Arizona	433,703	229,744	124,702	79,257	72,434	5,562	1,261	112,615,009	103,532,281	6,777,887	2,304,841	1,421						
Arkansas	166,596	109,633	16,051	40,912	34,552	3,207	3,153	54,256,565	49,016,813	3,458,470	1,781,282	1,326						
California	2,397,755	1,377,772	332,300	687,683	528,124	79,130	80,429	1,066,744,721	912,660,799	112,877,244	41,206,678	1,551						
Colorado	357,275	191,332	99,681	66,262	56,126	7,966	2,170	136,173,243	109,171,966	15,952,577	11,048,700	2,055						
Connecticut	190,727	119,381	9,819	61,527	53,602	3,519	4,406	129,964,827	119,701,392	5,738,667	4,524,768	2,112						
Delaware	58,344	38,498	984	18,862	13,763	2,155	2,944	20,449,406	17,007,439	1,785,283	1,656,684	1,084						
Florida	891,754	620,163	64,912	206,679	186,427	12,211	8,041	220,088,992	204,896,128	9,191,932	6,000,932	1,065						
Georgia	602,377	357,142	142,530	102,705	82,871	8,957	10,877	185,005,535	158,841,854	11,945,269	14,218,412	1,801						
Hawaii	97,831	62,292	4,150	31,389	28,546	1,184	1,659	47,593,000	45,176,000	909,000	1,508,000	1,516						
Idaho	96,025	62,490	7,906	25,629	23,397	418	1,814	25,180,154	22,927,532	502,548	1,750,074	982						
Illinois	932,817	463,965	236,088	232,764	194,008	3,343	35,413	360,750,666	336,019,694	4,561,654	20,169,318	1,550						
Indiana	367,980	229,110	47,701	91,169	71,522	6,638	13,009	75,380,476	53,229,211	4,890,277	17,260,988	827						
Iowa	281,651	163,971	39,444	78,236	76,145	1,086	1,005	66,220,845	62,970,043	2,269,380	981,422	846						
Kansas	248,881	147,294	40,404	61,183	57,307	316	3,560	50,295,283	49,168,020	177,140	950,123	822						
Kentucky	370,132	219,349	55,446	95,337	91,006	2,427	1,904	139,349,596	131,306,236	5,176,360	2,867,000	1,462						
Louisiana	87,678	51,848	44,600	109,872	89,479	6,475	13,918	178,354,604	160,313,695	7,845,731	10,195,178	1,623						
Maine	370,998	216,526	44,600	30,774	24,533	1,853	4,388	34,754,091	27,705,962	2,092,196	4,955,933	1,129						
Maryland	330,647	192,836	45,990	91,821	75,235	5,585	11,001	103,350,670	84,682,451	6,286,145	12,382,074	1,126						
Massachusetts	305,623	206,502	7,270	91,851	82,891	2,962	5,998	143,058,311	127,217,954	8,590,223	7,250,134	1,558						
Michigan	623,561	395,379	27,625	200,557	169,774	9,360	21,423	294,835,479	252,938,921	12,599,222	29,297,336	1,470						
Minnesota	586,357	280,450	185,835	120,072	108,171	4,178	7,723	189,722,058	173,952,630	5,606,590	10,162,838	1,580						
Mississippi	328,419	155,590	112,698	60,131	48,277	3,986	7,868	57,145,106	49,405,763	3,436,235	4,303,108	950						
Missouri	383,112	262,223	26,701	94,188	81,824	2,057	10,307	134,118,192	124,327,499	1,816,393	7,974,500	1,424						
Montana	103,820	53,387	23,679	26,754	25,267	688	799	25,035,941	24,025,609	460,025	550,307	936						
Nebraska	71,133	45,149	14,301	11,683	10,962	342	379	13,201,362	12,548,949	422,968	229,445	1,130						
Nevada	112,623	77,610	7,701	27,312	23,814	1,329	2,169	50,592,674	47,083,208	1,077,436	2,432,030	1,852						
New Hampshire	74,484	50,910	6,569	17,005	13,958	1,261	1,786	20,470,083	17,537,833	1,728,250	1,204,000	1,204						
New Jersey	705,187	440,615	63,468	201,104	182,084	0	19,020	354,601,304	323,291,873	0	31,309,431	1,763						
New Mexico	188,306	120,955	25,134	42,217	38,066	1,414	2,737	65,679,482	61,434,397	1,821,310	2,423,775	1,556						
New York	1,333,418	782,528	118,976	431,904	376,664	24,722	30,518	652,158,001	603,229,096	29,267,349	19,661,556	1,510						
North Carolina	697,775	454,249	80,793	162,733	135,947	14,197	14,197	206,107,171	178,339,106	16,170,337	11,597,728	1,267						
North Dakota	43,447	27,207	5,567	10,673	9,327	387	959	9,896,905	9,045,937	195,360	655,608	927						
Ohio	1,531,223	734,148	464,477	332,598	268,914	34,704	28,980	514,740,621	434,247,785	57,952,065	22,540,771	1,548						
Oklahoma	224,470	143,008	10,080	71,382	60,716	5,955	4,711	87,072,882	77,088,894	5,247,228	4,736,760	1,220						
Oregon	310,268	159,769	53,815	96,684	91,526	1,518	0	184,602,124	177,552,344	7,049,780	0	1,909						
Pennsylvania	682,299	367,315	75,770	239,214	210,478	12,662	16,074	309,959,996	287,565,039	12,943,842	9,451,115	1,296						
Rhode Island	51,818	28,505	3,965	19,348	16,737	1,569	1,042	36,015,082	31,154,871	2,920,594	1,939,617	1,861						
South Carolina	442,717	219,006	130,720	92,991	74,958	10,559	7,474	120,156,232	104,728,432	9,726,378	5,701,422	1,292						

See footnotes at end of table

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LAST MONTH OF FISCAL YEAR: MARCH 2003 – CONTINUED**

State	Total membership	Total active members		Total inactive members	Beneficiaries receiving periodic benefit payments				Periodic benefit payments for the month (dollars)				Average monthly benefit payment	
		Total active members	Total inactive members		Retired by service		Retired on disability		Total (a)	Retired by service		Retired on disability		
					Survivors	Survivors	Survivors	Survivors		Survivors	Survivors			
South Dakota	63,934	35,114	12,379	16,441	13,546	394	2,501	15,977,083	14,250,385	339,051	1,387,647	972		
Tennessee	304,196	198,917	22,158	83,121	71,595	4,227	7,299	76,720,000	69,550,000	2,256,000	4,914,000	923		
Texas	1,635,614	1,176,389	134,880	324,345	293,784	14,984	15,577	496,621,797	450,815,452	30,593,711	15,212,634	1,531		
Utah	150,095	94,833	23,280	31,982	31,982	0	0	42,311,610	42,311,610	0	0	1,323		
Vermont	41,035	23,837	7,683	9,515	8,193	623	699	8,847,449	7,982,581	436,569	428,299	930		
Virginia	504,796	311,811	84,227	108,758	91,583	15,609	1,566	132,228,706	112,118,000	19,108,000	1,002,706	1,216		
Washington	356,359	216,709	29,345	110,105	93,165	5,027	11,913	148,256,556	127,574,483	5,639,167	15,042,906	1,347		
West Virginia	107,171	64,319	14,436	28,416	28,416	0	0	37,556,750	37,556,750	0	0	1,322		
Wisconsin	486,819	263,500	107,032	116,287	108,292	6,572	1,423	241,267,880	223,631,200	16,357,961	1,278,719	2,075		
Wyoming	55,317	33,893	5,529	15,895	14,087	243	1,565	15,384,080	13,984,974	329,024	1,070,082	968		

Source: U. S. Department of Commerce, U. S. Census Bureau, December 2004.

Key:

(a) Detail may not add to totals due to rounding.

**Table C
NUMBER, MEMBERSHIP AND MONTHLY BENEFIT PAYMENTS OF
STATE-ADMINISTERED EMPLOYER RETIREMENT SYSTEMS: 1993-2003**

State	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Number of systems	218	219	220	219	213	214	214	203	200	192	190
Membership last month of fiscal year:											
Total Membership	21,209,882	20,575,129	19,946,136	19,863,442	18,857,782	18,792,096	17,755,195	17,335,904	17,107,747	16,034,883	15,206,551
Active members	12,538,604	12,407,222	12,244,404	12,281,004	11,757,108	11,358,499	11,210,405	11,121,324	10,967,868	10,545,461	10,224,417
Inactive members	3,250,341	2,987,492	2,750,575	2,796,005	2,578,496	3,009,997	2,291,754	2,048,359	2,115,251	1,510,051	1,430,369
Percent distribution:											
Active members	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Other	59.1	60.3	61.4	61.8	62.3	60.4	63.1	64.2	64.1	65.8	67.2
	40.9	39.7	38.6	38.2	37.7	39.6	36.9	35.8	35.9	34.2	32.8
Beneficiaries receiving periodic benefits:											
Total number retired or survivors	5,420,937	5,180,415	4,951,157	4,786,433	4,522,178	4,423,600	4,253,036	4,166,221	4,024,628	3,979,371	3,551,765
Former active members, retired service	4,642,902	4,453,077	4,282,245	4,086,451	3,872,834	3,798,600	3,661,670	3,599,888	3,483,053	3,484,001	3,099,491
Former active members, retired disability	342,286	321,346	277,493	271,902	264,360	254,718	241,303	225,521	220,309	213,802	187,795
Survivors of former active members	435,749	405,992	391,419	428,080	384,984	370,282	350,063	340,812	321,266	281,568	264,479
Percent distribution:											
Percent former active members, retired service	85.6	86.0	86.5	85.4	85.6	85.9	86.1	86.4	86.5	87.6	87.3
Percent former active members, retired disability	6.3	6.2	5.6	5.7	5.8	5.8	5.7	5.4	5.5	5.4	5.3
Percent survivors of former active members	8.0	7.8	7.9	8.9	8.5	8.4	8.2	8.2	8.0	7.1	7.4
Recurrent benefit payments for last month of fiscal year:											
Total amount of benefit for retired/survivors	7,852,487,401	7,116,489,779	6,551,024,839	5,739,832,168	5,131,270,653	4,638,426,325	4,277,792,550	4,142,330,275	3,781,984,022	3,309,137,550	2,823,434,232
Amount former active members, retired service	7,013,919,983	6,351,351,225	5,857,036,896	5,099,631,979	4,568,694,980	4,167,810,596	3,853,280,996	3,751,445,046	3,412,094,819	2,990,611,108	2,525,531,815
Amount former active members, retired disability	462,604,657	435,866,540	359,326,850	316,997,005	280,965,382	257,442,309	220,712,545	209,156,037	193,334,198	171,342,146	161,872,085
Amount survivors of former active members	375,962,761	329,272,014	334,661,093	323,203,184	281,610,291	213,173,420	203,799,009	181,729,192	176,555,005	147,184,296	136,030,332
Percent distribution:											
Percent former active members, retired service	89.3	89.2	89.4	88.8	89.0	89.9	90.1	90.6	90.2	90.4	89.4
Percent former active members, retired disability	5.9	6.1	5.5	5.5	5.5	5.6	5.2	5.0	5.1	5.2	5.7
Percent survivors of former active members	4.8	4.6	5.1	5.6	5.5	4.6	4.8	4.4	4.7	4.4	4.8
Average monthly payment for beneficiaries:											
Average for all beneficiaries (in dollars)	1,449	1,374	1,323	1,199	1,135	1,049	1,006	994	940	832	795
For former active members, retired service	1,511	1,426	1,368	1,248	1,180	1,097	1,052	1,042	980	858	815
For former active members, retired disability	1,352	1,356	1,295	1,166	1,063	1,011	915	927	878	801	862
For survivors of former active members	863	811	855	755	731	576	582	533	550	523	514

Source: U. S. Department of Commerce, U. S. Census Bureau, December 2004.
Note: Detail may not add to totals due to rounding.

RETIREMENT

**Table D
NATIONAL SUMMARY OF FINANCES OF STATE-ADMINISTERED EMPLOYEE RETIREMENT SYSTEMS: 1993-2003
(in thousands)**

Item	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998	1996-1997	1995-1996	1994-1995	1993-1994	1992-1993
Receipts											
Employee contributions	\$129,993,356	\$8,448,868	\$95,532,600	\$247,352,850	\$219,670,158	\$212,136,999	\$188,018,445	\$156,317,595	\$123,296,177	\$110,071,915	\$103,101,915
Government contributions	24,780,564	23,006,094	21,892,512	20,665,828	19,786,741	18,334,766	17,435,994	16,406,926	15,721,701	14,738,018	13,431,836
From state governments	36,996,114	32,059,268	32,608,891	33,853,730	33,467,754	34,620,047	36,893,266	31,606,859	29,114,635	27,491,787	27,491,787
From local governments	19,190,046	16,795,329	17,124,394	17,180,666	16,878,613	17,619,625	20,170,257	16,894,307	15,228,399	15,519,680	14,819,274
Earnings on investments	17,806,068	15,263,939	15,484,497	16,673,064	16,589,141	17,000,422	16,723,009	16,090,283	15,378,460	13,594,955	12,672,513
	68,216,678	-63,514,230	41,031,197	192,833,292	166,415,663	159,182,186	133,689,185	106,926,079	75,967,617	66,219,262	62,178,292
Payments											
Benefits	109,087,129	98,225,642	90,181,285	79,457,536	70,741,261	65,481,683	58,957,458	55,299,915	49,523,895	45,320,754	40,402,413
Withdrawals	98,835,637	88,713,825	80,990,697	72,216,032	64,230,736	59,658,756	53,743,045	50,507,371	45,759,560	41,249,020	37,115,679
Administration	6,030,851	6,254,177	5,725,271	3,486,891	3,392,226	2,600,160	2,373,458	2,147,931	1,572,936	1,497,959	1,206,109
Amount of cash and investment holdings at end of the fiscal year	1,802,682,364	1,774,662,873	1,784,734,059	1,797,953,426	1,581,779,624	1,426,403,895	1,220,527,088	1,044,650,139	913,929,489	811,742,778	741,741,645
Cash and deposits	79,762,295	90,563,875	93,834,423	98,327,876	81,416,739	72,354,184	57,325,477	49,367,394	54,163,156	41,274,783	48,855,709
Securities											
Governmental	1,570,340,383	1,531,401,377	1,540,661,766	1,544,764,421	1,393,773,838	1,265,801,454	1,089,349,314	927,183,387	804,714,178	722,382,594	621,901,004
Federal Government	181,761,440	181,193,500	197,739,933	221,223,557	224,457,008	228,588,766	219,784,346	216,325,590	201,044,921	187,994,565	169,455,599
United States Treasury	181,312,675	180,721,339	197,015,832	220,863,102	223,883,387	228,319,703	219,584,946	215,929,452	200,514,330	187,665,856	169,562,067
Federal agency	139,453,009	124,273,164	137,331,033	161,312,021	165,903,963	169,033,658	164,944,185	167,050,802	160,717,959	158,533,221	137,916,240
State and local government	41,859,666	56,448,175	59,684,799	59,551,081	57,979,424	59,286,045	54,640,761	48,878,650	39,796,372	29,132,635	31,445,827
	448,765	472,161	724,101	360,455	573,621	269,063	199,400	396,138	530,591	328,709	93,532
Nongovernmental	1,388,578,943	1,350,207,877	1,342,921,833	1,323,540,864	1,169,316,830	1,037,212,688	869,564,968	710,857,797	603,669,257	534,388,029	452,445,405
Corporate bonds	258,944,790	290,050,962	313,157,127	278,566,269	239,054,115	211,349,020	185,259,386	175,830,923	164,324,545	159,362,455	140,033,039
Corporate stocks	665,569,706	653,982,383	619,459,993	656,606,069	577,726,637	518,863,787	424,794,006	350,140,658	300,547,610	269,219,186	234,935,259
Mortgages	21,490,162	20,052,800	21,796,616	20,454,176	18,837,843	20,752,082	12,160,708	23,576,186	16,665,236	16,863,344	18,500,499
Foreign and international securities	225,134,367	216,166,650	230,458,313	246,904,776	195,411,813	167,440,243	130,681,334	0	0	0	0
Other nongovernmental securities	217,439,918	169,955,082	158,049,784	141,009,574	138,286,422	118,807,556	116,669,534	161,310,030	122,131,866	88,943,044	58,976,608
Other investments											
Real property	152,579,686	152,695,621	150,237,870	154,861,129	106,589,047	88,248,257	73,852,297	68,099,358	55,052,154	48,085,401	60,262,351
Miscellaneous investments	32,711,410	34,818,209	35,566,610	42,222,968	31,008,159	29,347,473	28,558,000	26,783,244	24,510,964	22,254,420	21,332,066
	119,868,276	117,877,412	114,671,260	112,638,161	75,580,888	58,900,784	45,314,297	41,316,114	30,541,190	25,830,981	38,930,285

See footnotes at end of table

**Table D
NATIONAL SUMMARY OF FINANCES OF STATE-ADMINISTERED EMPLOYEE RETIREMENT SYSTEMS: 1993-2003 — CONTINUED
(in thousands)**

Item	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998	1996-1997	1995-1996	1994-1995
Receipts	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Employee contributions	19.1	-272.3	22.9	8.4	9.0	8.6	9.3	10.5	12.8
Government contributions	28.5	-379.5	34.1	13.7	15.2	16.3	19.6	21.1	25.6
From state governments	14.8	-198.8	17.9	6.9	7.7	8.3	10.7	10.8	13.2
From local governments	13.7	-180.7	16.2	6.7	7.6	8.0	8.9	10.3	12.5
Earnings on investments	52.5	751.7	42.9	78.0	75.8	75.0	71.1	68.4	61.6
Payments	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Benefits	90.6	90.3	89.8	90.9	90.8	91.1	91.2	91.3	92.4
Withdrawals	3.9	3.3	3.8	4.7	4.4	4.9	4.8	4.8	4.4
Administration	5.5	6.4	6.3	4.4	4.8	4.0	4.0	3.9	3.2
Amount of cash and investment holdings at end of the fiscal year	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cash and deposits	4.4	5.1	5.3	5.5	5.1	5.1	4.7	4.7	5.9
Securities	87.1	86.3	86.3	85.9	88.1	88.7	89.3	88.8	88.0
Governmental	10.1	10.2	11.1	12.3	14.2	16.0	18.0	20.7	22.0
Federal Government	10.1	10.2	11.0	12.3	14.2	16.0	18.0	20.7	21.9
United States Treasury	7.7	7.0	7.7	9.0	10.5	11.9	13.5	16.0	17.6
Federal agency	2.3	3.2	3.3	3.3	3.7	4.2	4.5	4.7	4.4
State and local government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Nongovernmental	77.0	76.1	75.2	73.6	73.9	72.7	71.2	68.0	66.1
Corporate bonds	14.4	16.3	17.5	15.5	15.1	14.8	15.2	16.8	18.0
Corporate stocks	36.9	36.9	34.7	35.4	36.5	36.4	34.8	33.5	32.9
Mortgages	1.2	1.1	1.2	1.1	1.2	1.5	1.0	2.3	1.8
Foreign and international securities	12.5	12.2	12.9	13.7	12.4	11.7	10.7	0.0	0.0
Other nongovernmental securities	12.1	9.6	8.9	7.8	8.7	8.3	9.6	15.4	13.4
Other investments	8.5	8.6	8.4	8.6	6.7	6.2	6.1	6.5	6.0
Real property	1.8	2.0	2.0	2.3	2.0	2.1	2.3	2.6	2.7
Miscellaneous investments	6.6	6.6	6.4	6.3	4.8	4.1	3.7	4.0	3.3

Source: U. S. Department of Commerce, U. S. Census Bureau, December 2004.
Note: Detail may not add to totals due to rounding.