**Goal Development**

**City of Burlington Retirement Committee**

**Prepared by Keith Brainard**

**July 2014**

**Goal: Recruit and retain staff by having a good system**

**Discussion**

A retirement benefit traditionally has been a key feature of most employer compensation packages in the U.S. This is especially true among public employers. The overarching purpose for sponsoring a retirement benefit is to provide income security in retirement, although an employer-sponsored retirement plan often is intended to also meet other stakeholder objectives, such as to enhance the employer’s ability to attract and qualified workers.

A retirement benefit, and usually a defined benefit plan, generally is associated with public employment. According to the U.S. Bureau of Labor Statistics, virtually all employees of state and local government have access to an employer-sponsored retirement plan.[[1]](#endnote-1) Since most public workers are required to participate in their employer-sponsored plan, the total participation rate of full-time public employees is around 95 percent, and 85 percent when part-time workers are included. Moreover, the prevailing retirement benefit among state and local government workers is a pension plan, also known as a defined benefit plan.

The high rate of participation and the expansive use of pension plans among states and local governments contrast with the private sector, where only about two-thirds of the civilian workforce in the U.S. has access to an employer-sponsored retirement benefit.[[2]](#endnote-2) Not all workers elect to participate in their employer-sponsored plan: all counted, just over one-half of the nation’s workforce, including part-time employees, actually participate in an employer-sponsored plan.

Since the 1970s, when participation in private sector pension plans peaked at some 44 percent of the nation’s workforce, coverage in a defined benefit plan has declined steadily.[[3]](#endnote-3) Today, around than one in five employees in the private sector participate in a defined benefit plan,[[4]](#endnote-4) and of the DB plans still in existence, many are closed to new hires.

Many public sector positions are, in or more ways, unusual or unique. The public sector contains a larger percentage of professional positions, requiring either higher education, specialized training, or a professional certification. Public safety positions often involve physical risk; and most public sector positions traditionally have had a career orientation. Combined with pay that in many cases is below that of or marginally competitive with the private sector, the value of a sound retirement benefit in public employment often takes on greater importance.

A retirement benefit that encourages longevity can align the interests of public employers, taxpayers and employees; pension plans typically are designed to reward longevity of service, an objective that comports with the long-term or career orientation of many public sector positions.

Of course, employers that sponsor a retirement plan should take measures to ensure that the benefit promises being made can be fulfilled. A retirement plan whose cost becomes untenable or unsustainable imperil the employer’s ability to honor its retirement benefit promises, to deliver essential public services, and to attract and qualified workers. Thus, maintaining a plan’s sustainability is vital to the ability of public employers to serve the public.

**Goal**: Burlington should take measures needed to ensure that the retirement benefits it has promised to current workers can be paid.

**Goal:** Burlington should consider modifying its retirement plan to ensure the city will be able to both continue to deliver essentially public services and to attract and retain qualified workers.

1. U.S. Bureau of Labor Statistics, Employee Benefits Survey, Retirement benefits: Access, participation, and take-up rates, March 2013 [↑](#endnote-ref-1)
2. Ibid. [↑](#endnote-ref-2)
3. Employee Benefits Research Institute, “The Decline of Private Sector Defined Benefit Promises and Annuity Payments: What Will It Mean?” EBRI Notes, July 2004 [↑](#endnote-ref-3)
4. National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2007 [↑](#endnote-ref-4)