

Non-Substantive Change Request to the Office of Management and Budget

Proposal

We propose to collect three unknown pieces of financial information related to retired government employees covered under state government retirement systems:

- Defined contribution system finances;
- Postemployment healthcare finances; and
- Liabilities of defined benefit plans.

The data collection will apply only to state government systems we canvass in the 2007 Census of Governments, a potential universe of about 220 organizations. State systems are the largest and account for 84 percent of the total defined benefit assets in fiscal year 2005.

History

The focus of the current Survey of State Administered Public-Employee Retirement Systems (the F-12 survey) includes only defined benefit plans. In recent years, public employee retirement systems expanded their scope to encompass defined contribution and postemployment healthcare plans to retirees. Informal monitoring shows that these additional retirement options have increased in number and the value of assets.

Importance

The Bureau of Economic Analysis (BEA) and the Federal Reserve have shown a keen interest in this proposed data collection. The BEA maintains that the additional data would enable policy makers to analyze three emerging issues: the adequacy of funding for defined benefit plans, the rising shift from traditional defined benefit plans to defined contribution plans, and the financial impact of postemployment healthcare plans.

The Federal Reserve relies on the F-12 survey to construct the financial flows and balance sheets presented in the Flow of Funds Accounts of the United States (FFA). Like the BEA, the Federal Reserve contends that the proposed data collection would allow them to quantify the size and asset allocation of defined contribution plans and the shift in pension coverage from defined benefit to defined contribution plans which would enhance the quality of the FFA.

Both the BEA and the Federal Reserve have expressed interest in actuarial estimates of pension liabilities and normal pension costs (see attached letters of support from both BEA and the Federal Reserve). These measures are necessary in order to estimate the adequacy of pension plan funding and would help examine the overall position of state governments and the household sector. Furthermore, these data would help to ensure national accounts be made consistent with international guidelines (which both agencies have stated as a long-term goal).

The Census Bureau is already collecting defined contribution and postemployment healthcare data in the state finance E-Basic program. However, it is unclear what is being reported to us. We have attempted to use the E-Basic program to determine the breakout of these data to no avail. This proposed data collection is a matter of shifting data from the finance survey to the retirement survey within the Governments Division. The change would redistribute the effort from the finance staff to the retirement staff to account for these data.

Operational Plan

We would continue to collect defined benefit plan data from all of the plans in our current universe of retirement systems. We are not trying to establish or create a universe of defined contribution plans. Universe organization will remain the same.

There are different types of state retirement systems – those that offer defined contribution and/or postemployment healthcare plans in addition to defined benefit plans and those that only offer defined benefit plans. The state systems that only offer defined benefit plans will continue to receive the current F-12 survey form. The state systems that offer defined contribution and/or postemployment healthcare plans in addition to defined benefit plans will receive the new F-12A survey form. The categories and definitions have not changed therefore the F-12A survey form should seem very familiar to them.

In September, one month prior to the mailout, we will send letters explaining the changes in our collection to the systems that will receive the new F-12A survey form. The letters will ask them to provide summary defined contribution data and/or summary postemployment healthcare data, in addition to the defined benefit data that they are already reporting.

Impact

Although the new F-12A survey form is three times the length of the current F-12 survey form, the workload will not increase threefold for those respondents receiving the new form. Most respondents will only have to fill out two-thirds of the form since the system they are reporting for may only have a defined contribution plan and not a postemployment healthcare plan (or vice versa) in addition to the defined benefit plan. More significantly, the comprehensive annual financial reports already have the data categorized by defined benefit, defined contribution, and postemployment healthcare plans. Therefore, we are not requesting the additional data be split into new categories, rather that the additional data in these existing categories be reported.

There are a total of 220 state system respondents. Of these 220 respondents, 83 will be completing the current F-12 survey form and 137 will be completing the new F-12A survey form. The F-12 survey form entails an average of two hours for the respondent to complete. The new F-12A survey form entails an average of four hours for the respondent to complete. The resulting increase in total annual burden is 274 hours.

This proposed data collection would not only help the Census Bureau distinguish between defined benefit, defined contribution, and postemployment healthcare finances, but it would enhance the quality of the Federal Reserve's Flow of Funds Accounts of the United States. It would also be a valuable tool for the BEA in helping policy makers to analyze the emerging issues of pension plans and postemployment healthcare. Furthermore, this data collection would help prepare national accounts that are more in line with international guidelines.



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DIVISION OF RESEARCH AND STATISTICS

June 7, 2007

Mr. Henry Wulf
Assistant Division Chief
Governments Division room 6K-137
U.S. Census Bureau
Washington, DC 20233-6800

Dear Henry,

I am writing to you regarding the proposal to improve and expand the information collected in the Census Bureau's annual survey of state and local government retirement systems (F-12).

As you know, the construction of the financial flows and balance sheets presented in the Federal Reserve's Flow of Funds Accounts of the United States (FFA) relies on the F-12 survey. The quality of the FFA would be enhanced if the proposal were implemented. Specifically, the new F-12 data would permit us to measure:

- the funding status (assets relative to liabilities) of defined benefit pension plans for state and local government workers
- the size and asset allocation of defined contribution pension plans for state and local government workers
- the extent and timing of the shift in pension coverage for state and local governments workers from defined benefit plans to defined contribution plans

Currently, the F-12 survey does not collect estimates of pension liabilities nor of normal pension costs. Such information would be helpful to consider the overall financial position of state and local governments and of the household sector. In addition, international guidelines for producing national financial accounts have been moving toward an articulation of liabilities and funding status for defined benefit pension plans. Information in the expanded F-12 would allow us to consider adopting estimation methods for the FFA that are more in line with international guidelines.

The current F-12 survey does not collect any information about the level or allocation of assets held in defined contribution pension plans for state and local government workers. So, these financial positions cannot be presented in the FFA. Defined contribution plans are thought to constitute a growing share of pensions for state and local government workers, and the FFA would be improved if data on the timing and extent of coverage could be incorporated.

The proposal to improve and expand the F-12, of course, must be considered within the context of the competing budgetary priorities at the Census Bureau. However, looking at the proposal in isolation from that larger context, the Flow of Funds Accounts certainly stands to benefit from its implementation.

Sincerely,

Michael Palumbo,
Chief, Flow of Funds Section

June 1, 2007

Mr. Henry Wulf
Assistant Division Chief
Governments Division room 6K-137
U.S. Census Bureau
Washington, DC 20233-6800

Dear Henry,

The Bureau of Economic Analysis strongly supports the Census Bureau's efforts to modernize its annual survey of state and local government retirement systems (F-12). Your proposed revisions will allow policy makers to analyze three emerging policy issues:

- Adequacy of funding for defined benefit plans
- The emerging shift to defined contribution plans
- The financial impact of post-employment health benefits

The current survey does not include actuarial estimates of pension liabilities nor of normal costs. These measures are required to estimate adequacy of funding of pension funds and also to prepare national accounts to evolving international guidelines. BEA is making a long-term effort to move the U.S. accounts to greater conformity with the rest of the world.

Defined contribution plans are well established in the private sector and in the Federal government. They are a small but growing share of state and local government plans. They are likely to gain importance in the near future. It is important to track these plans separately, as they are treated differently in the national accounts and have different impacts on the economy.

Post-employment health benefits are another growing problem for state governments. The survey will help policy makers analyze the extent of the problem.

BEA strongly supports the Census Bureau's efforts to collect data on these emerging issues. The additional data will enable BEA to improve its monitoring of the Nation's economy.

Sincerely,

Dennis Fixler,
Chief Statistician