J-INTERSECT

IMPROVING PERFORMANCE AT THE NEXUS OF THE COMMERCIAL AND SOCIAL SECTORS

ABSTRACT

MANAGING THE COST AND SOCIAL RETURN OF RETIRED GOVERNMENT EMPLOYEES
(AUGUST 2012)

Almost all US states and many local governments have started to consider and implement various reforms to government employee retirement plans due to evolving budget deficits, workforce demographics, population aging and longer-term pension plan finance and benefit trends. Reforms include modifications to contribution requirements and benefit levels in existing defined benefit (DB) retirement plans and key changes that would integrate defined contribution (DC) components into the main DB plan structure. Public policymakers and the private sector have only recently started to recognize the consequences of population aging on budgets. With retirement age for baby-boomers approaching, retirement policy adjustments become more important because contributions will shrink from a decreased labor force coupled with the rising costs of pension and health care systems, especially in Europe, North America and Japan. New Zealand's positive aging strategy provides one of the high value-add approaches in managing the cost and social return of retired government employees.