

In This Issue

2 Twists and Turns on ESG Investing



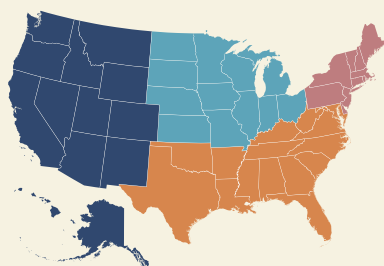
On May 20, President Joe Biden issued an Executive Order on Climate-Related Financial Risk (EO). The action signaled a fresh look at the complex intersection of sustainable investing, often referred to as Environmental, Social, and Governance, or ESG for short.

3 Executive Directors Corner



When the harsh glare of the spotlight falls on a public pension system, all of us in the pension community feel the pain.

4 Around the Regions



This month, we will highlight New York, Nebraska, Texas and California.

Report Evaluates Strengths and Weaknesses of Hybrid Retirement Plans



The creation of hybrid retirement plans for state and local government employees has been a mixed bag for sponsors and participants, according to a report from the National Institute on Retirement Security.

Some governments have planned carefully to establish hybrid plans and have created plans that should effectively enhance retirement security for employees while helping governments recruit and retain a qualified workforce, NIRS said. Some, however, have shifted to hybrid designs without properly evaluating the long-term implications of the plan changes.

NIRS noted that “hybrid” is an umbrella term that covers a range of plan designs. “Some hybrids are defined benefit (DB) pensions with risk-sharing provisions, while others blend attributes of DB and defined contribution (DC) plans,” NIRS said in the report, “The Hybrid Handbook.”

“The bottom line is that not all hybrid are created equal,” NIRS said. Some hybrid plans “will shift more risk from one party to another. Risk-shifting is not the same as risk-sharing, and a well-designed plan can do the latter and avoid the former.”

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HYBRID RETIREMENT PLANS CONTINUED FROM PAGE 1

Hybrid plans have been around for decades, NIRS pointed out, noting that the Texas Municipal Retirement Plan dates to 1947. However, the report is timely because hybrids have received increased attention as jurisdictions seek to redesign retirement benefits for various reasons, including managing costs. Hybrids are frequently proposed as an alternative to existing state and local government DB plans.

The report compares the key features of various retirement benefits and structures. It also includes an overview of hybrid plan design, which it said could help state and local officials make informed decisions if they are considering adopting a hybrid model.

Sections of the report cover the design of DB vs. DC plans; cash balance plans, combined arrangements such as vertical and

horizontal hybrids; and risk-sharing DB plans, among other topics. The report also examines how DB benefits can be relevant to non-career employees.

“We know that public employees place a high value on their retirement benefits, and a move in the wrong direction on benefits could be a detriment to hiring and retaining the public workforce,” said Dan Doonan, NIRS executive director and co-author of the report. He said it is critically important to examine the details of a hybrid plan or proposal since there isn’t a simple template for them.

The 35-page report noted that discussion regarding hybrids “thus far has focused on the goals of creating the system in terms of the benefits. But it is imperative that discussion also consider the risks, or costs, in offering a hybrid plan. These risks should be considered from both a plan sponsor’s perspective and that of the members.” ♦

Don't Miss NCPERS' Social Media



The graphic features a hand holding a tablet that emits a bright orange glow. Above the tablet, a globe is surrounded by various digital icons, including a laptop, mail, and social media symbols. The background is dark with blue and orange light effects. The text "Don't Miss NCPERS' Social Media" is prominently displayed at the top. Below the main text, there are icons for Facebook, Twitter, LinkedIn, YouTube, and RSS. At the bottom right, there is the NCPERS logo and the tagline "The Voice for Public Pensions".

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