U.S. Public Pensions: Doing More with Less

INTRODUCTION

As the U.S. economy remains on an uncertain footing, stock market declines combined with larger negative global dynamics are forcing U.S. public pension systems to do more with less. Due to a tightening monetary policy, pension systems are instituting hiring freezes and trimming overall expenses, while the Great Resignation and a shortage of key technical skillsets have contributed to a decline in IT support. Despite these lean times, there are several strategies that can help public pension systems improve member services and achieve planned organizational goals.

THE U.S. PUBLIC PENSION SYSTEM LANDSCAPE

Today's roughly 6,000 U.S. public pension systems play a vital role in helping millions of active (working) members and retirees build wealth and long-term retirement security.[1] However, the perfect storm of the economic downturn, the Great Resignation, and a scarcity of available tech workers have strained public pension systems' financial and staffing resources. As of this past June, public pension systems lost a median 7.9%, due to inflation, high stock valuations, and a broad retreat from speculative investments, including cryptocurrencies.[2] Declines in the stock and bond markets have forced pension systems to cut back on expenses and refrain from new hirings. Systems are also having difficulty finding suitable candidates to fill critical gaps on their teams due to so many workers dropping out of the workforce, especially in tech, where a recent poll of IT workers revealed that 72% were thinking of quitting their jobs in the next 12 months.[3] This is significantly higher than the 55% rate of the overall U.S. workforce.[4]

With a lack of qualified tech workers, a significant barrier to organizations adopting emerging technologies, public pensions need to find new ways to implement staffing and software efficiencies to maintain and improve member services to accomplish strategic objectives.

TECHNOLOGY AND STAFFING WORKAROUNDS

Scalable platforms

Modern platforms allow organizations to build configurable systems with low code – even no code – with drag-and-drop interfaces. Software that can also perform in cloud-native architectures with loosely coupled services and communication mechanisms that enable rapid buildouts are effective and efficient methods for lean IT staff. System architecture that is separate from the business architecture, so that

changes can be made without affecting the technical layer of the platform (and vice-versa) can quickly and seamlessly allow for new features and functionalities to be implemented. With tiered software platforms, upgrades can be accomplished as a service, without interrupting business as usual.

Ongoing enhancements

Continuous system enhancements that keep software platforms innovative, efficient, and scalable can alleviate potential staffing pressures on IT teams and drive down ownership costs. Ongoing enhancements can also mitigate the need for future upgrades, so pension funds can focus their teams on scaling the platform based on the ongoing needs of the business.

Human resource efficiencies

Public pension system hiring slowdowns as well as the lack of suitable candidates can strain existing IT resources. Subcontractors and a rotational system of system analysts can help divide workloads while keeping multiple staff members updated on different projects. Technology teams should implement central planning software at the start of system engagements to identify and circumvent potential issues before they become major project roadblocks.

CONCLUSION

As the economy continues to stagger from inflation and an overall tightening of global market conditions, U.S. public pension systems will have to make the most of their current staffing and system resources. Through cloud-native platform architecture, regular system enhancements, and a more efficient workforce, pension systems can continue to do more with less to maintain service expectations and meet their bottom lines until more favorable market conditions arise.

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1   U.S. Census Bureau Data, Public Plans Data, December 2021
2   "Market Rout Sends State and City Pension Funds to Worse Year Since 2009," Wall Street Journal, August 2022
3   "Retaining tech employees in the era of The Great Resignation," Talent LMS/Workable Survey, September 2022
4   Ibid.