

# Benefits of State and Local Government Employees

February 2022

As of early 2021, there were approximately 18.5 million<sup>1</sup> state and local government employees, across all 50 U.S. states, approximately 39,000 general-purpose local governments, and 51,000 special districts, filling positions in education, utilities, transportation, hospitals, and general administration, among other key responsibilities.<sup>2</sup>

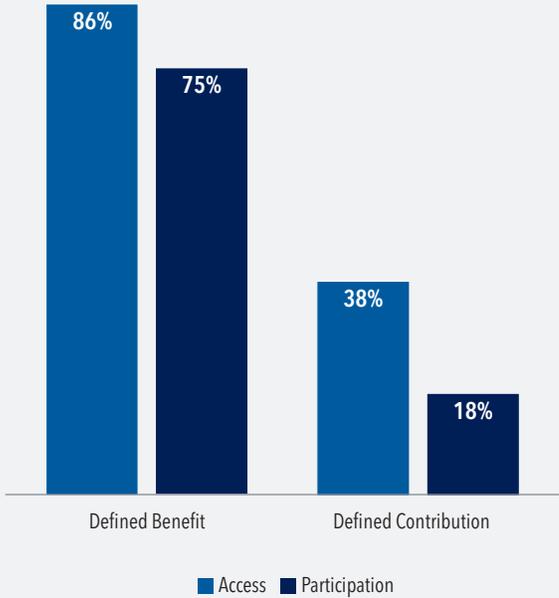
This Issue Brief details the benefits provided to these public servants, primarily using recent data from the **U.S. Bureau of Labor Statistics’ National Compensation Survey: Employee Benefits in the United States, March 2021**<sup>3</sup>, unless otherwise noted.

## Retirement

### Benefit Structures

As seen in Figure 1, 86% of state and local workers have access to a defined benefit (DB) pension plan, with 75% of workers participating in the plan. While participation rates are similar for state and local workers (+/- 1 percentage point), more state workers have access, relative to those working for local government (5-percentage point difference). Overall, 38% had access to a defined contribution (DC) plan with 18% participating. Fifty-two percent of state employees had access to one of these DC plans, relative to 34% of local employees, with 25% participating at the state level and 16% at the local level.

Figure 1 **State and Local Government Retirement Benefits, March 2021**



Source: National Compensation Survey, U.S. Bureau of Labor Statistics.

**Acknowledgements:** This report was prepared by Joshua Franzel, PhD (MissionSquare Research Institute). The author gratefully acknowledges the insights and expertise of his collaborators on this research: Rivka Liss-Levinson, PhD and Gerald Young (MissionSquare Research Institute). Thank you to Anne Phelan for copy editing this report and Night Owl Design Studio, LLC.

## 2 | Benefits of State and Local Government Employees

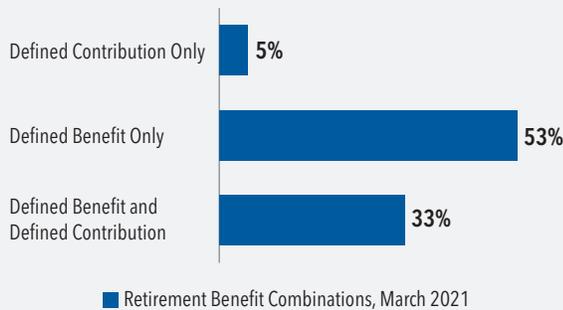
Figure 2 offers the incidence of access to one or more retirement benefit types. States are more likely than locals to offer a combination of a DB and DC plan (46% vs. 28% of workers have access), while 57% of local workers have access to just a DB plan, relative to 44% of those who work for state government.

In a broader context, it is important to note that, as of 2018, 28% of state and local workers do not receive Social Security coverage through their current public sector employment. The largest segments of these non-covered employees are local government public safety and education professionals.<sup>4</sup> DB benefit generosity and related employee and employer contributions are typically higher in plans for employees with no Social Security coverage.<sup>5</sup>

### Benefit Contributions

- 91% of employees with a DB plan are required to contribute to their plan at an average of 7.2% of annual earnings. Overall, there is not much variation between state and local employees being required to contribute to their plans (92% of state and 91% of local employees) and local employees are required to contribute an average of 0.2-0.4% more than their state counterparts. Public employers contribute 11.7% of total employee compensation to DB plans.<sup>6</sup>
- 70% of employees with a DC plan are required to contribute to their plan (73% for state and 69% for local employees). While pretax contributions are the primary approach for DC employee contributions, 12% of employees (14% state and 11% local) can make contributions after taxes are deducted.

Figure 2 **State and Local Government Retirement Benefit Combinations, Access, March 2021**

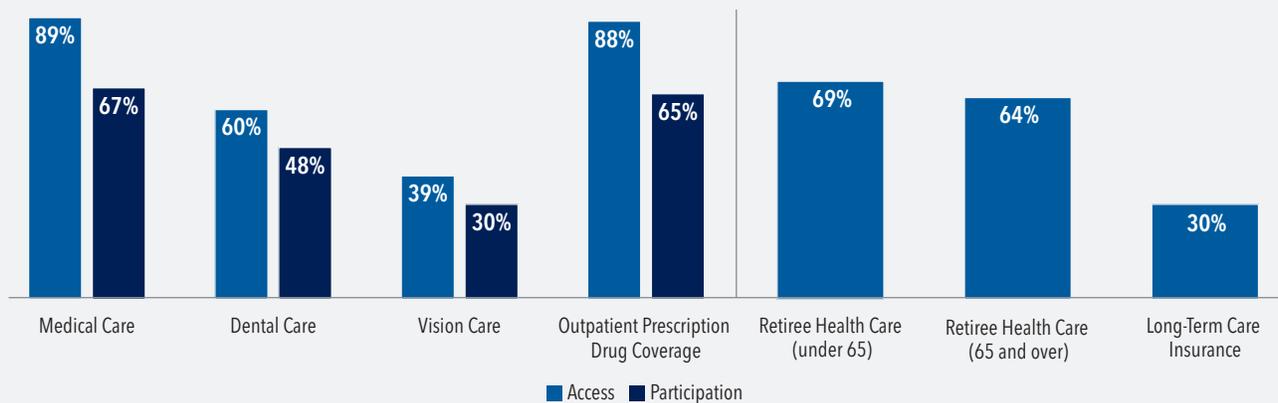


Source: National Compensation Survey, U.S. Bureau of Labor Statistics.

### Health Care Benefits

Overall, 89% of state and local employees have access to **health care benefits**, which may include **medical, dental, vision, and prescription drug coverage** components, with 78% participating. More specifically, 96% of state and 87% of local government staff have access to some combination of these benefits and 86% and 75% participate, respectively. Figure 3 offers a breakdown of the access and participation rates of the health care components. As is the case with health care benefits overall, state government workers tend to have higher rates (7-10 percentage points) of access to these individual components.

Figure 3 **State and Local Government Health Care Benefits, March 2021**



Source: National Compensation Survey, U.S. Bureau of Labor Statistics.

### 3 | Benefits of State and Local Government Employees

To assist in the management of health care costs, 38% of state and local workers have access to a health savings account (50% state, 34% local) and 71% have access to a health care flexible spending account (88% state, 65% local).

Regarding health care in retirement, 69% of all state and local workers have access to a health care benefit before the age of 65 (89% for state and 62% for local employees) and 64% of all workers will have access at age 65 and over (87% at the state level and 56% at the local level). Generally, these benefits come in the form of coverage of percent of premium, a fixed-dollar amount, or implied subsidy through risk-pooling both active and retired employees.<sup>7</sup> Also, while 30% of all state and local employees have access to long-term care insurance, this is the case for over half (51%) of those employed by the states, but only 22% for local employees. It should be noted that participation percentages are not offered for retiree health care nor long-term care insurance because this survey data focuses on active employees not in retirement.

#### Benefit Contributions

- 78% of employees with access to medical care benefits are required to make contributions for the benefit for single coverage and 93% are required to make contributions for family coverage. For both arrangements, approximately 64% pay a flat dollar amount, while 26% pay an amount determined by some combination of earnings, tenure, and/or age.

#### Insurance

For public sector employees, especially those that are in community-facing positions,<sup>8</sup> insurance benefits are a key component of their compensation. As seen in Figure 4, 83% have access to **life insurance**, with nearly universal participation, and far lower access rates for **short- and long-term disability benefits**. State workers have higher access rates to life insurance than those in local government (9-percentage point difference), but there are similar levels of coverage for disability benefits. The two primary forms of life insurance benefit payment are flat dollar amount (52% of employees with access) and fixed multiple of annual earnings (36%). Fixed percentage of annual earnings is the main approach used for short-term disability, applicable to 89% of those with access, and long-term disability, applicable to 97% of those with access.

#### Benefit Contributions

- 10% of employees with access to life insurance benefits are required to make contributions.
- Of those with short-term disability benefits, 46% of their employers self-insure (assume risks and expenses related to benefit), while 54% insure via a third party. Given their size, among other factors, states are more likely to self-insure than locals (63% vs 39%). Also, 12% of employees with access to short-term disability benefits are required to make contributions.
- 17% of employees with access to long-term disability benefits are required to make contributions.

Figure 4 **State and Local Government Insurance Benefits, March 2021**



Source: National Compensation Survey, U.S. Bureau of Labor Statistics.

## 4 | Benefits of State and Local Government Employees

Figure 5 **State and Local Government Paid Leave, Access, March 2021**



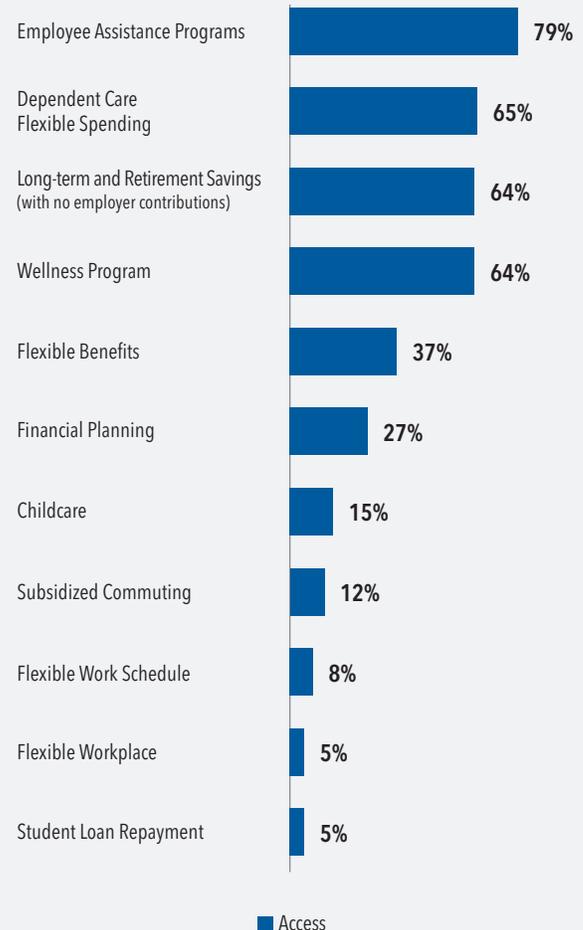
Source: National Compensation Survey, U.S. Bureau of Labor Statistics.

### Paid Leave, Quality of Life, and Other Key Benefits

Figure 5 outlines the leave benefits to which state and local employees have access. In the aggregate, and for state and local employees as separate cohorts, a majority have access to all of these benefits, except for paid family leave. For state workers 25% have access to paid family leave, while 98% have access to unpaid family leave. For local employees, 27% have access to this paid leave, while 93% have access to this unpaid leave.

In addition to the benefits covered previously, state and local governments continue to increase their focus on other benefits that can underpin their efforts to be employers of choice in the labor marketplace by more holistically supporting their workforces.<sup>9</sup> As noted in Figure 6, employee assistance programs, dependent care flex spending, wellness programs, and long-term/retirement savings accounts (with no employer contribution) are among the most common benefits state and local employees have access to in this broad category. For all components listed, a larger portion of state government employees have access, relative to local public servants. On the other end of the access spectrum are flexible workplace, flexible work schedule, and student loan repayment benefits. Given the impacts the COVID-19 pandemic has had on how and where public sector work is conducted, along with increased competition for skilled talent, there likely will be an uptick in these benefit offerings in the years ahead.

Figure 6 **State and Local Government Quality of Life and Other Benefits, Access, March 2021**



Source: National Compensation Survey, U.S. Bureau of Labor Statistics.

### Endnotes

1. BLS Employment, Hours, and Earnings from the Current Employment Statistics survey and National Compensation Survey.
2. U.S. Census Bureau, 2017 Census of Government data, as presented in "**Number of Local Governments by State,**" Governing.
3. U.S. Bureau of Labor Statistics, **National Compensation Survey: Employee Benefits in the United States**, March 2021. Note: This specific survey represents 18,493,200 state and local workers.
4. Congressional Research Service, **Social Security Coverage of State and Local Government Employees**, November 10, 2021.
5. NASRA, **NASRA Issue Brief: Employee Contributions to Public Pension Plans**, September 2021.
6. U.S. Bureau of Labor Statistics, Employer Costs for Employee Compensation.
7. Center for State and Local Government and NASRA, **"Other Post-Employment Benefits by State: FY 2017 Snapshot."**
8. Michael Maciag, **"The Most Dangerous Government Jobs and Why They're Riskier than the Private Sector,"** Governing, November 15, 2013.
9. MissionSquare Research Institute, **"Survey Findings: State and Local Government Workforce 2021,"** May 2021.

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