

AARP IN THE STATES



OVERVIEW: New York State and Local Retirement System



The **New York State and Local Retirement System (NYSLRS)** provides a defined benefit (DB) fund for public employees. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 51,451 retired public employees helps support:



\$48.2 billion

in economic output in New York.



247,876 jobs

paying \$17.6 billion in wages supported by retirees' spending from public pensions in New York.



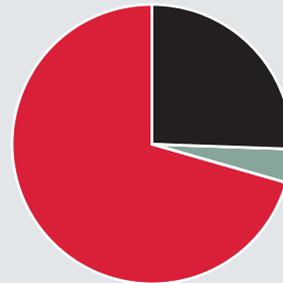
\$8.3 billion

in federal, state, and local tax revenues based on spending of pension benefits in New York.

Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New NYSLRS employees contribute 3-6% (depending on salary) of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers (via employer contributions) paid only 25.69% of the cost of pension benefits in New York.

70.4%
Investment
Earnings



25.7%
Employer
Contributions

4.0%
Employee
Contributions

Key facts about the plan and its benefits:



84,534

Total active members of New York State and Local Retirement System.



60%

After a 30-year career, a pension benefit from NYSLRS will replace 60% of an employees' pre-retirement income.



\$2,181

Average pension benefit paid to retired NYSLRS members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by New York taxpayers (employers) in these plans supported **\$6.00** in total economic activity in the state.



\$1.00



\$6.00



All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



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PRIMER: New York State and Local Retirement System

The New York State and Local Retirement System (NYSLRS) provides benefits to qualified state employees, police, and firefighters.

The NYSLRS Pension Works for New York Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



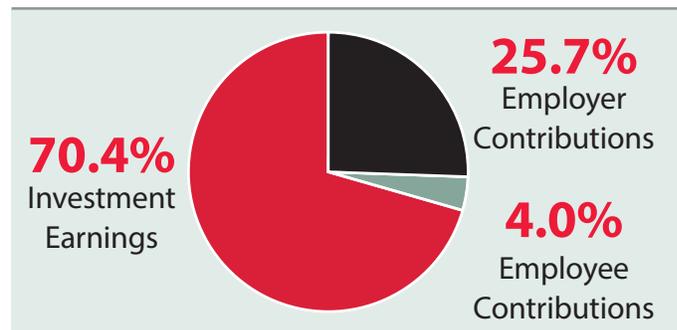
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New NYSLRS employees contribute 3-6% (depending on salary) of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers paid only 25.69% of the cost of benefits in New York.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.



NYSLRS serves 84,534 active employees and 51,451 retired members and survivor beneficiaries.



New employees contribute 3-6% (depending on salary) of pay to NYSLRS.



Employers contribute 18.92% to the fund.



The average monthly retirement benefit for members is \$2,181.



After a 30-year career, a pension benefit from NYSLRS will replace 60% of an employee's final average salary.

Historical NYSLRS Funding Experience

New York established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2019 year, NYSLRS had \$12.65 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

New York Paid 100% of Weighted Average Percent of ADC from FY2001-FY2019 for NYSLRS



New York Made Plan Changes to NYSLRS in Recent Years

Following the global stock market crash in 2008-2009, New York policymakers proactively made changes to NYSLRS to ensure long-term sustainability. These included:

- New York added newly hired employees as of 1/1/10 in Tier V and those as of 4/1/12 in Tier VI. Tier V employees must contribute to the plan as long as they participate and their benefits are lower due to changes in normal retirement and greater reductions for early retirement. Tier VI employees' member contribution increased to up to 6% of salary and benefits were further reduced because of lower multipliers, the calculation of final average salary and older retirement ages.

The Economic Impact of New York Pensions:



\$48.2 billion

in economic output generated by retirees' spending from public pensions in New York.



247,876 jobs

paying \$17.6 billion in wages supported by retirees spending from public pensions in New York.



\$8.3 billion

in federal, state, and local tax revenues generated by retiree benefits and spending in New York.

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



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OVERVIEW: New York State Teachers' Retirement System



The **New York State Teachers' Retirement System (NYSTRS)** provides a defined benefit (DB) pension for teachers. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 169,203 retired public employees helps support:



\$48.2 billion

in economic output in New York.



247,876 jobs

paying \$17.6 billion in wages supported by retirees' spending from public pensions in New York.



\$8.3 billion

in federal, state, and local tax revenues based on spending of public pension benefits in New York.

Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. New NYSTRS employees contribute 3-6% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers (via employer contributions) paid only 25.69% of the cost of pension benefits in New York.

70.4%
Investment Earnings



25.7%
Employer Contributions

4.0%
Employee Contributions

Key facts about the plan and its benefits:



263,517

Total active members of New York State Teachers' Retirement System.



55%

After a 30-year career, a pension benefit from NYSTRS will replace 55% of an employee's pre-retirement income.



\$3,693

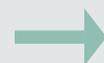
Average pension benefit paid to retired NYSTRS members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by New York taxpayers (employers) in these plans supported **\$6.00** in total economic activity in the state.



\$1.00



\$6.00



AARP IN THE STATES



PRIMER: New York State Teachers' Retirement System

The New York State Teachers' Retirement System (NYSTRS) provides benefits to qualified public school teachers and administrators.

The NYSTRS Pension Works for New York Stakeholders



Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.



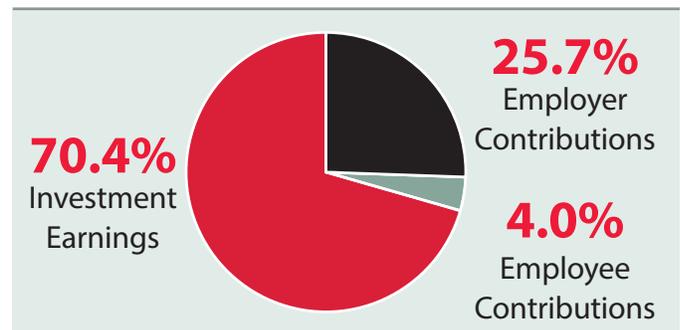
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing education quality.



Pensions offer teachers the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New NYSTRS employees contribute 3-6% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers paid only 25.69% of the cost of benefits in New York.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.



NYSTRS
Key
Facts



NYSTRS serves 263,517 active employees and 169,203 retired members and survivor beneficiaries.



New employees contribute 3-6% to NYSTRS.



Employers contribute 9.53% to the fund for employees.



The average monthly retirement benefit for members is \$3,693.



After a 30-year career, a pension benefit from NYSTRS will replace 55% of final average salary.

Historical NYSTRS Funding Experience

New York established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2019 year, NYSTRS had \$120.86 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

New York Paid 99.91% of Weighted Average Percent of ADC from FY2001-FY2019 for NYSTRS



New York Made Plan Changes to NYSTRS in Recent Years

Following the global stock market crash in 2008-2009, New York policymakers proactively made changes to NYSTRS to ensure long-term sustainability. These included:

- New York added newly hired teachers as of 1/1/10 in Tier V and as of 4/1/12 in Tier V. Tier V teachers contribute to the plan while they participate and their benefits are lower due to changes in normal retirement age and greater reductions for early retirement. Tier VI teachers' contribution increased to up to 6% of salary and benefits were further reduced because of lower multipliers, the calculation of final average salary, and older retirement ages.

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Pensions Help Deliver Quality Education in New York

There are important policy reasons to continue offering teachers defined benefit (DB) pensions. DB pensions give schools an effective tool to retain high-quality, experienced teachers. These teachers are the most important school-based element that provides positive educational outcomes for our children.

Pension benefits provide teachers an incentive to continue delivering quality education to K-12 students. This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college-educated workers, widens for more experienced teachers.

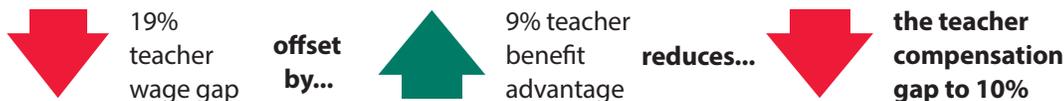
Because pensions help attract and retain workers, New York can keep skilled teachers in the classroom and empower students to achieve their highest potential. The nationwide teacher shortage is impacting New York, as enrollment in traditional teacher preparation programs has *declined by 53%* between 2009-2010 and 2017-2018.

Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 19 percent pay gap relative to comparable private sector workers in 2019. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 10 percent. In New York, teachers experience a 12.0% wage gap when compared to other college graduates in the workforce.²



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.



83 percent of Americans say pensions are a good way to recruit and retain qualified teachers.



74 percent of Americans agree that teachers deserve pensions to compensate for lower pay.³

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.⁴

5.7%



Percentage of New York teachers who leave education.

1,682



The number of New York teachers retained each year due to the DB pension.

\$8.9M to \$19.3M



Savings created by the DB system through reduced teacher turnover costs in school districts across New York.



NYSTRS

Key Facts



NYSTRS serves 263,517 active employees and 169,203 retired members and survivor beneficiaries.



New employees contribute 3-6% to the fund.



Employers contribute 9.53% to the fund.



The average monthly retirement benefit for members is \$3,693.



NYSTRS has \$120.9 billion in assets and \$0.2 billion in unfunded actuarial accrued liability.⁵

The Economic Impact of New York Pensions

\$48.2 billion



in economic output generated by retirees' spending from public pensions in New York.

247,876 jobs



paying \$17.6 billion in wages supported by retirees' spending from public pensions in New York.

\$8.3 billion



in federal, state, and local tax revenues based on spending of pension benefits in New York.⁶

¹ Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

² Allegretto, S. A. and Mishel, L. 2020. "Teacher pay penalty dips but persists in 2019." Washington, DC. Economic Policy Institute.

³ Oakley, D. and Kenneally, K. 2019. "Retirement Insecurity 2019: Americans' Views of the Retirement Crisis." Washington, DC. NIRS.

⁴ Boivie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement." Washington, DC. NIRS.

⁵ All data, unless otherwise noted, as of fiscal year ended 2019.

⁶ Boivie, I. 2021. "Pensionomics 2021: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.