SNAPSHOT: Connecticut State Employees Retirement System

Overview

The Connecticut State Employees Retirement System (SERS) serves public employees in the state of Connecticut. The system provides a defined benefit (DB) pension for its 47,868 active employees, and 43,887 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees generally contribute 2% of salary to SERS.
- Employers contribute 37.8% to the fund.
- Each dollar invested by Connecticut taxpayers in SERS supported $3.99 in total economic activity in the state.

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Key Connecticut SERS Data[1]

The chart below summarizes the key SERS data, as of June 30, 2012:

Total active employees	47,868
Total retired members and beneficiaries	43,887
Average annual retirement benefit for retirees and beneficiaries	$32,458
Employer contribution rate*	37.8%
Employee contribution rate	2% for general employees; 5% for hazardous employees
Actuarial value of assets	$9.7 billion
Funded ratio	42.3%
Unfunded actuarial accrued liability	$13.3 billion

* Payments on the system's unfunded liability payment represents majority of the cost; the employer normal cost rate is just 7.45%.

The Economic Impact of Connecticut Pensions[2]

Expenditures made by retirees of state and local government provide a steady economic stimulus to Connecticut communities and the state economy. Within the state of Connecticut, 2012 expenditures stemming from state and local pensions supported:

- 40,249 jobs that paid $2.4 billion in wages and salaries
- $6.6 billion in total economic output
- $1.2 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported $1.64 in total economic activity in Connecticut.

Each dollar "invested" by Connecticut taxpayers in these plans supported $3.99 in total economic activity in the state.

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[1] All data, unless otherwise noted, as of June 30, 201.

[2] Rhee, N. 2014. *Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures.* Washington, DC: National Institute on Retirement Security.

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Connecticut State Employees Retirement System By the Numbers

The following provides a snapshot of key data relative to the **Connecticut State Employees Retirement System (SERS)**. SERS provides retirement benefits for state employees. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

$3.99 The total economic activity in Connecticut for each dollar invested by Connecticut taxpayers in SERS.

$6.6 billion Total economic output in Connecticut created in 2012 when public sector retirees spent their pension income.

$1.2 billion Federal, state and local tax revenues generated by spending of Connecticut public pension income.

40,249 Jobs created from pension income spending by Connecticut state and local government retirees.

47,868 Total active members of SERS.

$32,458 Average annual pension benefit for a SERS retiree or beneficiary.

2.0 Percentage of salary that Connecticut general employees contribute from every pay¬check to their pension benefit to share the funding responsibility.

5.0 Median employee contribution rate nationally.

40 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for employees hired since 1984 with 30 years of service.

80 Percentage of pre-retirement income from all income sources that is considered adequate for a secure retirement.

All data come from either the Connecticut State Employees Retirement System or the National Institute on Retirement Security.

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SNAPSHOT: Connecticut State Teachers' Retirement System

Overview

The Connecticut State Teachers' Retirement System provides defined benefit (DB) pension benefits for the state's 49,808 active public school employees and 32,294 retirees and beneficiaries. The System is governed by the Teachers' Retirement Board, who provides pension benefits by offering easily accessible, timely and accurate information and services.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit
(DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement. School teachers in Connecticut do not participate in Social Security.

Key Facts

- Employees contribute 6.0% of salary to the Teachers' Retirement System.
- Employers contribute 24.13% of salary to the fund.
- Each dollar invested by Connecticut taxpayers in the Teachers' Retirement System supported $3.99 in total economic activity in the state.

Key Connecticut Teachers Data[1]

The chart below summarizes the key CSTRS data, as of June 30, 2012:

Total active employees	49,808
Total retirees, beneficiaries, and disability retirements	32,294
Normal cost rate (cost of benefits accrued in a year)*	9.73%
Employer contribution rate	24.13%
Employee contribution rate**	6.0%
Actuarial value of assets	$13.7 billion
Funded ratio	55.2%
Unfunded actuarial accrued liability	$11.1 billion

* This includes the member contribution of 6.0% of pay; the employer normal cost rate is 3.73%.

The Economic Impact of Connecticut Pensions[2]

Expenditures made by retirees of state and local government provide a steady economic stimulus to Connecticut communities and the state economy. Within the state of Connecticut, 2012 expenditures stemming from state and local pensions supported:

- 40,249 jobs that paid $2.4 billion in wages and salaries
- $6.6 billion in total economic output
- $1.2 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported $1.64 in total economic activity in Connecticut.

Each dollar "invested" by Connecticut taxpayers in these plans supported $3.99 in total economic activity in the state.

[1] All data, unless otherwise noted, as of fiscal year ended June 30, 2012.

[2] Rhee, N. 2014. *Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures.* Washington, DC: National Institute on Retirement Security.

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Connecticut State Teachers' Retirement System By the Numbers

The following provides a snapshot of key data relative to the **Connecticut State Teachers' Retirement System**. The system provides retirement benefits for public school employees in Connecticut. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

$3.99 The total economic activity in Connecticut for each dollar invested by Connecticut taxpayers in the Teachers' Retirement System.

$6.6 billion Total economic output in Connecticut created in 2012 when public sector retirees spent their pension income.

$1.2 billion Federal, state and local tax revenues generated by spending of Connecticut public pension income.

40,249 Total active members of the Teachers' Retirement System.

6.0 Percentage of salary that employees contribute from every pay¬check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

29,005 Jobs created from pension income spending by Connecticut state and local government retirees.

60 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a teacher with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement. Connecticut teachers do not participate in Social Security.

$15,532 The cost of teacher turnover in Connecticut for every teacher who leaves.

256 The number of teachers retained each year solely due to the defined benefit (DB) plan.

$4 million Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either the Connecticut State Teachers' Retirement System or the National Institute on Retirement Security.

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SNAPSHOT: Pensions for Connecticut Teachers

Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."[1]

Key Facts

- Employees contribute 6.0% of salary out of each paycheck to the pension fund.
- The system covers 49,808 active school employees 32,294 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The pension replaces 60% of pre-retirement income for a teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. Connecticut teachers do not participate in Social Security.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.[2]

Public school teachers in Connecticut have pension coverage through the Connecticut State Teachers' Retirement System.

The Connecticut State Teachers' Retirement System covers 49,808 active employees of public educational institutions, and 32,294 retired school employees and beneficiaries. Employees contribute 6.0% out of each of their paychecks to the pension fund.

The Teachers' Retirement System pension replaces 60% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. **Members of the Connecticut State Teachers' Retirement System do not participate in Social Security.**

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Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.[3] More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.[4] Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.[5]

Pensions Help Retain Quality Teachers in Connecticut[6]

Better teachers are experienced 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.

In Connecticut:

- The cost of turnover in Connecticut is $15,532 per teacher.
- 256 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved $4.0 million in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: *AARP's Educator Community* is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.

[1, 2] Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

[3] Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

[4] Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide.* Washington, DC: Economic Policy Institute.

[5] Oakley, D., and K. Kenneally. 2013. *Pensions and Retirement Security 2013: A Roadmap for Policy Makers.* Washington, DC: National Institute on Retirement Security.

[6] Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.