▶ Overview

The New York State and Local Retirement System consists of the New York State Common Retirement Fund, the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System, and the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The system provides a defined benefit (DB) pension for its 544,751 active employees, and 385,031 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) pensions 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), generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees in Tiers 3, 4 and 5 contribute 3% of salary to the pension fund.

- Employers contribute 11.8% to the fund.

- Each dollar invested by New York taxpayers in the pension fund supported $7.00 in total economic activity in the state.

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AARP's Educator Community

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▶ Key New York State and Local Retirement System Data[1]

The chart below summarizes the key data for the New York State and Local Retirement System, as of March 31, 2011:

Total active employees	544,751
Total retired members and survivor beneficiaries	385,031
Average annual pension benefit in ERS	$19,151
Employer contribution rate*	11.8%
Employee contribution rate*	3.0%
Total assets**	$158.9 billion
Funded ratio**	93.9%
Unfunded actuarial accrued liability	$8.1 billion
* Employer rate is an average of 2011 rates for ERS. Employee rate is for Tier 3, 4, and 5 members. ** Data are for ERS only, and are as of the April 1, 2010 valuation.	

▶ The Economic Impact of New York Pensions[2]

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

- 273,015 jobs that paid $16.9 billion in wages and salaries
- $44.3 billion in total economic output
- $7.4 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported $1.69 in total economic activity in New York.

Each dollar "invested" by New York taxpayers in these plans supported $7.00 in total economic activity in the state.

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[1] All data, unless otherwise noted, as of fiscal year ended March 31, 2011.

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

AARP *in the* STATES

NORTH DAKOTA ALASKA WYOMING DISTRICT OF COLUMBIA
...ESSEE CALIFORNIA TEXAS NEW YORK FLORIDA ILLINOIS
...AS WICO
...EW MEXICO ...PPI ARKANSAS NEW
...Y MEXICO HAWAII RHODE ISLAND IDAHO DELAWARE VIRG
...UMBIA MONTANA PUERTO RICO SOUTH DAKOTA OKLAHOM

New York State and Local Retirement System By the Numbers

The following provides a snapshot of key data relative to the **New York State and Local Retirement System**. The New York State and Local Retirement System consists of the New York State Common Retirement Fund, the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System, and the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance.

$7.00 Total economic activity in New York for each dollar invested by New York taxpayers in the retirement system.

$44.3 billion Total economic output in New York created in 2006 when public sector retirees spent their pension income.

$7.4 billion Federal, state and local tax revenues generated by spending of New York public pension income.

273,015 Jobs created from pension income spending by New York state and local government retirees.

544,751 Total active members of the New York State and Local Retirement System.

$19,151 Average annual retirement pension income.

3.0 Percentage of salary that Tier 3, 4, and 5 employees contribute from every paycheck to their pension benefit to share the funding responsibility.

60 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

7.0 Percent less in wages that state employees in New York receive compared to their private sector counterparts.

5.9 Percent less in wages that local employees in New York receive compared to their private sector counterparts.

All data comes from either the New York State and Local Retirement System or the National Institute on Retirement Security.

▶ Overview

The New York State Teachers' Retirement System (NYSTRS) serves all full-time teachers, teaching assistants, guidance counselors, and administrators employed in NY state public schools (excluding New York City). The system provides a defined benefit (DB) pension for its 280,435 active employees, and 146,843 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) pensions 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 hired since 2010 contribute 3.5% of salary to NYSTRS.

■ Employers contribute 8.62% to the fund.

■ Each dollar invested by New York taxpayers in NYSTRS supported $7.00 in total economic activity in the state.

▶ Key NYSTRS Data[1]

The chart below summarizes the key data for NYSTRS, as of June 30, 2011:

Total active employees	280,435
Total retired members and survivor beneficiaries	146,843
Average annual retirement pension benefit	$39,679
Employer contribution rate	8.62%
Employee contribution rate*	3.5%
Total assets	$89.9 billion
Funded ratio**	100.3%
Unfunded actuarial accrued liability	$225.6 million

* Contribution rate for Tier 5 members (employees hired after January 1, 2010).
** As of June 30, 2010, the date of the most-recent annual actuarial valuation and calculated in accordance with GASB Statement No. 50.

▶ The Economic Impact of New York Pensions[2]

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

- 273,015 jobs that paid $16.9 billion in wages and salaries
- $44.3 billion in total economic output
- $7.4 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported $1.69 in total economic activity in New York.

Each dollar "invested" by New York taxpayers in these plans supported $7.00 in total economic activity in the state.

[1] All data, unless otherwise noted, as of fiscal year ended June 30, 2011.

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

New York State Teachers Public Pensions By the Numbers

The following provides a snapshot of key data relative to the **New York State Teachers' Retirement System (NYSTRS)**. NYSTRS provides retirement benefits for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in NY state public schools (excluding New York City). 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.

$7.00 Total economic activity in New York for each dollar invested by New York taxpayers in the retirement system.

$44.3 billion Total economic output in New York created in 2006 when public sector retirees spent their pension income.

$7.4 billion Federal, state and local tax revenues generated by spending of New York public pension income.

273,015 Jobs created from pension income spending by New York state and local government retirees.

544,751 Total active members of the New York State and Local Retirement System.

$39,679 Average annual retirement pension income.

3.5 Percentage of salary that NYSTRS employees currently contribute from every paycheck to their pension benefit to share the funding responsibility.

60 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

1,742 Number of teachers retained each year solely due to the defined benefit (DB) plan.

$26.7 million Teacher turnover cost savings generated by the retention affect of the defined benefit (DB) pension.

All data comes from either NYSTRS or the National Institute on Retirement Security.
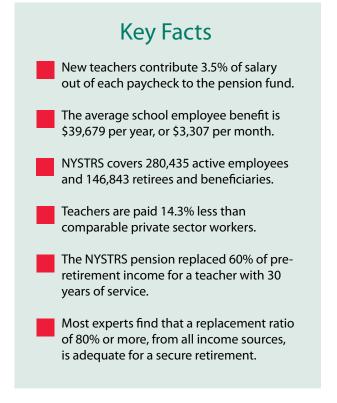
AARP *in the* **STATES**

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...EY ...GEORGIA
...SAS WISCO
...AHO ...IA OREGO
...W MEXICO HAWAII RHODE ISLAND IDAHO DELAWARE VIRG
...UMBIA MONTANA PUERTO RICO SOUTH DAKOTA OKLAHO...

SNAPSHOT: Pensions for
New York 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

- New teachers contribute 3.5% of salary out of each paycheck to the pension fund.

- The average school employee benefit is $39,679 per year, or $3,307 per month.

- NYSTRS covers 280,435 active employees and 146,843 retirees and beneficiaries.

- Teachers are paid 14.3% less than comparable private sector workers.

- The NYSTRS pension replaced 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.

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]

The New York State Teachers' Retirement System (NYSTRS) serves all full-time teachers, teaching assistants, guidance counselors, and administrators employed in NY state public schools (excluding New York City).

NYSTRS covers 280,435 active school employees and 146,843 retired members and beneficiaries. NYSTRS teachers hired since January 2010 contribute 3.5% out of each of their paycheck to the pension fund. When they retire, the average benefit is $39,679 per year, or $3,307 per month.

The NYSTRS 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.

▶ 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 83% of Americans indicated that those with pensions are more likely to have a secure retirement, and 81% believe all workers should have access to a pension plan.[5]

▶ Pensions Help Retain Quality Teachers in New York [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 New York:

• The cost of turnover in New York is $15,306 per teacher.
• 1,742 teachers are retained each year due to the defined benefit (DB) plan.
• The defined benefit (DB) pension system saved $26.7 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] Perlman, B., K. Kenneally, and I. Boivie. 2011. *Pensions and Retirement Security 2011: 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.