# AARP IN THE STATES

**SNAPSHOT:** Connecticut State Employees Retirement System

The Connecticut State Employees Retirement System (SERS) provides benefits to qualified state employees.

## The SERS Pension Works for Connecticut Stakeholders

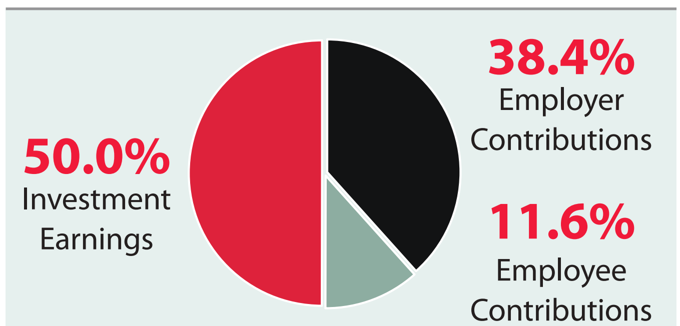
Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.

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 regular SERS employees contribute 3.5% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers paid 38.4% of the cost of benefits.




## 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:

**10%** cost savings from pooling longevity risk + **11%** cost savings from optimal asset allocation + **27%** cost savings due to higher returns and lower fees = **48%** **total cost savings**

AARP Real Possibilities

NRTA AARP's Educator Community

NATIONAL INSTITUTE ON Retirement Security
Reliable Research. Sensible Solutions.

SERS Key Facts

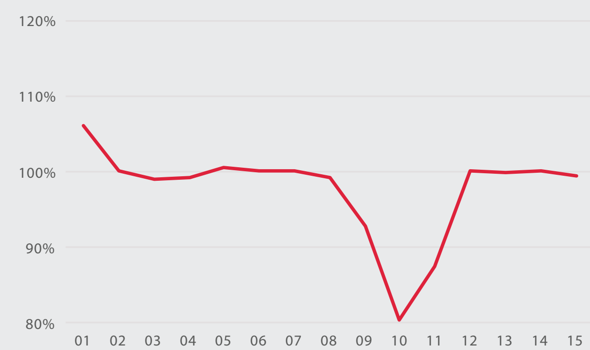
- Connecticut SERS serves 50,019 active employees and 48,191 retired members and survivor beneficiaries.
- New regular employees contribute 3.5% to SERS.
- Employers contribute 10.9% to 11.4% to the fund for employees.
- The average monthly retirement benefit for members is $3,002.
- After a 30-year career, SERS will replace 40% of final average salary below the breakpoint.

## Historical SERS Funding Experience

Connecticut 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 2016 year, SERS had $11.9 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 becomes financially sound over time.

**Connecticut Paid 97% of Weighted Average Percent of ADC from FY2001-FY2015 for SERS**




## Connecticut Made Plan Changes to SERS in Recent Years

Following the global stock market crash in 2008-2009, Connecticut policymakers through changes in the collective bargaining agreement changed to SERS to ensure long-term sustainability. These included:

- Increasing the normal retirement age and setting a higher reduction for early retirement.
- Reducing the minimum cost of living adjustment (COLA) for current and new employees.
- Increasing the vesting period to 10 years and lowering benefits with a longer final salary periods for new employees.
- Creating a new combined plan with a DB pension and a DC account after 2017.

## The Economic Impact of Connecticut Pensions:

**$5.4 billion**
in economic output generated by retirees' spending from public pensions in Connecticut.

**33,792 jobs**
paying $1.9 billion in wages supported by retirees spending from public pensions in Connecticut.

**$1.3 billion**
in federal, state, and local tax revenues generated by retiree benefits and spending in Connecticut.

All data come from Connecticut, Public Plans Data, or the National Institute on Retirement Security.

# AARP IN THE STATES

**BY THE NUMBERS:** Connecticut State Employees Retirement System

The **Connecticut State Employees Retirement System (SERS)** provides a defined benefit (DB) pension 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 to better serve taxpayers. DB pension payments also support the state's economy.

### Key facts about the plan and its benefits:

**50,019**
Total active members of the Connecticut State Employees Retirement System.

**40%**
After a 30-year career, SERS will replace 40% of an employee's pre-retirement income.

**$3,002**
Typical pension benefit paid to retired SERS members each month.

### Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New SERS employees contribute 3.5% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers (employer contributions) paid 38.4% of the cost of pension benefits.

**50.0%** Investment Earnings

**38.4%** Employer Contributions

**11.6%** Employee Contributions

### The spending from the pension checks of the 48,191 retired public employees helps support:

**$5.4 billion**
in economic output in Connecticut.

**33,792 jobs**
paying those workers in Connecticut $1.9 billion in income.

**$1.3 billion**
in federal, state, and local tax revenues based on benefits and spending in Connecticut.

### Pension benefits are a good deal for the economy too:

Each dollar "invested" by Connecticut taxpayers (employers) in these plans supported $3.41 in total economic activity in the state.

**$1.00** **$3.41**

All data come from Connecticut, Public Plans Data, or the National Institute on Retirement Security.

AARP® Real Possibilities | NRTA AARP's Educator Community | NATIONAL INSTITUTE ON Retirement Security Reliable Research. Sensible Solutions.

# AARP IN THE STATES

**SNAPSHOT:** Connecticut State Teachers' Retirement System

The Connecticut State Teachers' Retirement System (TRS) is a component of Teacher's Retirement Board of Connecticut. It provides benefits to qualified public school educators, who are not covered by Social Security.

## The TRS Pension Works for Connecticut Stakeholders

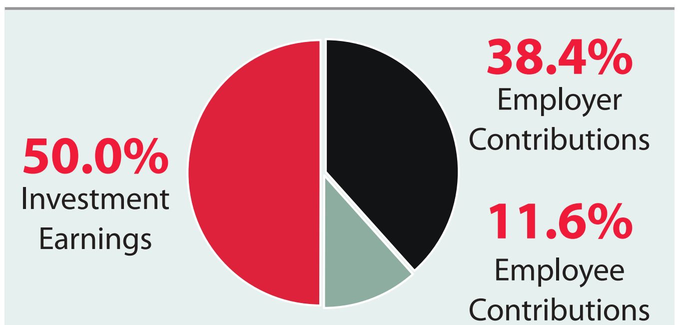
Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.

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 TRS employees contribute 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 2014, taxpayers paid 38.4% of the cost of benefits.




## 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:

**10%** cost savings from pooling longevity risk **+** **11%** cost savings from optimal asset allocation **+** **27%** cost savings due to higher returns and lower fees **=** **48%** **total cost savings**

AARP Real Possibilities

NRTA AARP's Educator Community

National Institute on Retirement Security — Reliable Research. Sensible Solutions.

## TRS Key Facts

Connecticut TRS serves 50,877 active employees and 36,065 retired members and survivor beneficiaries.

New employees contribute 6% to TRS.

Employers contribute 29.4% to the fund for employees.

The average monthly retirement benefit for members is $4,233.

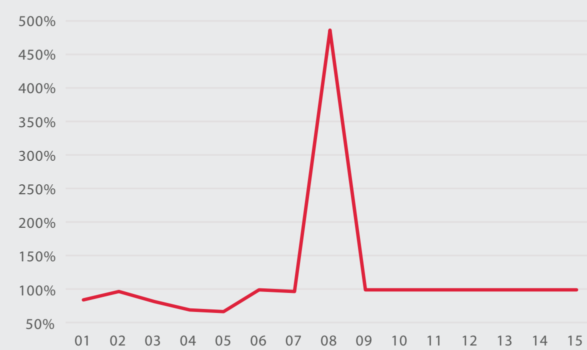
After a 30-year career, TRS will replace 60% of final average salary.

# Historical TRS Funding Experience

Connecticut 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 2016 year, TRS had $16.7 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 becomes financially sound over time.

**Connecticut Paid 122.2% of Weighted Average Percent of ADC from FY2001-FY2015 for TRS**




# Connecticut Made Plan Changes to TRS in Recent Years

Following the global stock market crash in 2008-2009, Connecticut policymakers proactively made changes to the Connecticut State Teachers' Retirement System to ensure long-term sustainability. These included:

- The collective bargaining agreement increased the normal retirement age and set a higher reduction for early retirement, while also reducing the minimum cost of living adjustment (COLA) for current and new employees.
- New employees must work for 10 years in order to be vested and they will have lower benefits because of longer final salary periods.

# The Economic Impact of Connecticut Pensions:

**$5.4 billion**

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

**33,792 jobs**

paying $1.9 billion in wages supported by retirees spending from public pensions in Connecticut.

**$1.3 billion**

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

All data come from Connecticut, Public Plans Data, or the National Institute on Retirement Security.

# AARP IN THE STATES

## BY THE NUMBERS: Connecticut State Teachers' Retirement System

The **Connecticut State Teachers' Retirement System (TRS)** provides a defined benefit (DB) pension for teachers who do not participate in Social Security. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced teachers, who provide quality education for our children. DB pension payments also support the state's economy.

**Key facts about the plan and its benefits:**

**50,877**
Total active members of the Connecticut State Teachers' Retirement System.

**60%**
After a 30-year career, TRS will replace 60% of an employee's pre-retirement income – and no Social Security benefits.

**$4,233**
Typical pension benefit paid to retired TRS members each month.

**Pensions are a good deal for taxpayers:**
Funding of teacher pensions is shared by employees and employers. New TRS employees contribute 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 2014, taxpayers (employer contributions) paid 38.4% of the cost of pension benefits.

**50.0%**
Investment Earnings

**38.4%**
Employer Contributions

**11.6%**
Employee Contributions

**The spending from the pension checks of the 36,065 retired public employees helps support:**

**$5.4 billion**
in economic output in Connecticut.

**33,792 jobs**
paying those workers in Connecticut $1.9 billion in income.

**$1.3 billion**
in federal, state, and local tax revenues based on benefits and spending in Connecticut.

**Pension benefits are a good deal for the economy too:**

Each dollar "invested" by Connecticut taxpayers (employers) in these plans supported $3.41 in total economic activity in the state.

**$1.00** → **$3.41**

All data come from Connecticut, Public Plans Data, or the National Institute on Retirement Security.

AARP Real Possibilities

NRTA AARP's Educator Community

NATIONAL INSTITUTE ON Retirement Security
Reliable Research. Sensible Solutions.

AARP IN THE STATES

# Why Pensions Work
for Connecticut and Teachers

## Pensions Help Deliver Quality Education in Connecticut

Defined benefit (DB) pensions play a fundamental role in retaining high-quality, experienced teachers in the classroom. These effective, experienced teachers are the most important school-based element that provides quality educational outcomes for our children.

A wide body of academic research on teacher productivity finds that teachers become more effective with experience. These studies demonstrate that experienced teachers have students who achieve at higher levels. In contrast, when experienced, mid-career teachers are replaced by inexperienced teachers, other studies show productivity drops across the school.

DB pensions give schools an effective tool to retain experienced teachers. These benefits provide teachers an incentive to continue delivering quality education to K-12 students.[1] 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.

There are important policy reasons to continue offering teachers DB pensions. Because pensions help attract and retain workers, Connecticut can keep teachers in the classrooms and empower students to achieve their highest potential.

## Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 17 percent pay gap relative to comparable private sector workers in 2015. 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 11 percent. In Connecticut, teachers experience a 18% wage gap when compared to other college graduates in the workforce.[2]

17% teacher wage gap **offset by...** 6% teacher benefit advantage **reduces... the teacher compensation gap to 11%**

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

**92%** 92 percent of Americans say pensions are a good way to recruit and retain qualified teachers.

**81%** 81 percent of Americans agree that teachers deserve pensions to compensate for lower pay.[3]

AARP Real Possibilities

NRTA AARP's Educator Community

NATIONAL INSTITUTE ON Retirement Security
Reliable Research. Sensible Solutions.

# 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]

**5.3%**

Percentage of Connecticut teachers who leave education.

**347**

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

**$1.5B to $3.3B**

The DB system savings in teacher turnover costs in school districts across Connecticut.

## TRS Key Facts

- Connecticut TRS serves 50,877 active employees and 36,065 retired members and survivor beneficiaries.
- New employees contribute 6% to the fund.
- Employers contribute 29.4% to the fund.
- The average monthly retirement benefit for members is $4,233.
- TRS has $16.7 billion in actuarial value of assets and $13.1 billion in unfunded actuarial accrued liability.[5]

# The Economic Impact of Connecticut Pensions

**$5.4 billion**

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

**33,792 jobs**

paying $1.9 billion in wages supported by retirees spending from public pensions in Connecticut.

**$1.3 billion**

in federal, state, and local tax revenues generated by retiree benefits and spending in Connecticut.[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. 2016. "The Teacher Pay Gap Is Wider than Ever." Washington, DC. Economic Policy Institute.
3 Oakley, D. and Kenneally, K. 2017, Pensions and Retirement Security 2017: A Roadmap for Policy Makers. Washington, DC. NIRS.
4 Boivie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement."
5 All data, unless otherwise noted, as of fiscal year ended 2016.
6 Brown, J. 2016. "Pensionomics 2016: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.